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10 Years After Floating of Exchange Rates, System Is Rated a Disappointment

By Carl Gewirtz

International Herald Tribune

PARIS — Ten years ago this week unprecedented turmoil erupted in the foreign exchange markets, causing trading throughout the world to close for five full working days. When the markets reopened on March 13, the postwar system of fixed exchange rates was dead and a new era of floating rates was born.

Now the experiment is widely assessed as a great disappointment. "There were people who put high hopes on floating," said Helmut Schmidt, the former West German chancellor. But he quickly added, "These high hopes were absolutely futile."

This is not to suggest that any serious policy-maker is calling for a return to a system of fixed rates.

But a decade later, policy-makers acknowledge that what was wrong with the international monetary system in 1973 remains the fundamental problem in 1983 — inadequate cooperation among governments to coordinate economic policies.

This issue will be a major topic of discussion at the economic summit meeting of the seven major industrial powers in late May in Williamsburg, Virginia.

That this is the fundamental problem is certainly the view of Mr. Schmidt. In 1973, he was economics minister, and in collaboration with George P. Shultz, then the U.S. Treasury secretary, and Valéry Giscard d'Estaing, then France's finance minister, authorized the uncoupling of exchange rates.

Mr. Giscard d'Estaing, later the president of France, agrees with Mr. Schmidt's analysis. But he dismisses as hopelessly utopian the notion that any country's domestic economic policies would ever be adapted to the needs of other countries.

The former heads of state do concur that floating exchange rates were the most practical solution to the international monetary disorder

of the 1970s. "Ten years ago, we had no other choice but to float," Mr. Schmidt said in a recent telephone interview from Hamburg.

The hopes at the start were that by liberating central banks from the obligation of intervening to maintain exchange rates within a fixed margin, governments would be able to pursue domestic policy independent of foreign constraints.

Fixed rates imposed foreign constraints, forcing central banks to pump money into circulation by buying dollars to keep the exchange rate steady. But pumping up the money supply in West Germany, for example, had undesirable effects on domestic inflation.

It was also hoped that floating exchange rates would facilitate balance-of-payments adjustments and stave off the danger that countries running large trade deficits, such as the United States, would be tempted to resort to protectionism.

That was the theory. The experience, said

Alexandre Lamfalussy, economic adviser to the Bank for International Settlements, is one of "disillusionment." Excessive appreciation or depreciation of exchange rates has "robbed governments of their freedom of choice in domestic policy," he said, and the dangers of protectionism are greater today than at any time since the beggar-thy-neighbor policies of the 1930s.

As did all the officials who were interviewed, he insisted that the floating rates were inevitable. "The fixed parity system could not have withstood the repeated oil shocks. The adjustments required as a result of the major differences between the reactions of the industrial countries could definitely not have been carried out in time or to a sufficient degree. Floating has allowed balance-of-payments adjustment to take place."

But, he added, "Floating must be managed. The excesses of floating must be tempered."

The excesses are the so-called overshooting of

exchange rates well beyond the levels sustainable by economic fundamentals.

When the generalized system of floating began, the dollar was worth 2.79 Deutsche marks. By December 1979, the rate had dropped to a low of 1.71 DM and by November 1982 it was back up to 2.59 DM. The current rate is 2.39 DM.

The dollar started floating at 4.44 French francs, dropped to a low of 3.99 francs by October 1978 and soared to 7.31 francs by November 1982. The current rate is 6.93 francs.

The dollar rate when the yen started floating in February 1973 was 260. By October 1978 it was down to 177 yen and by November 1982 it was back up to 278 yen. Currently it is 238 yen.

At the dollar's lows, West German, French and Japanese industry suffered greatly because the price of their goods on world markets was too expensive. Currently, U.S. manufacturers are suffering from an overvalued dollar, which many analysts forecast will result in a record-

breaking U.S. trade deficit of \$80 billion this year. The size of that deficit, many analysts say, will ultimately send the dollar spiraling down on exchange markets later this year.

The yo-yo effect of exchange rates, endangering whole sectors of industry by radical deterioration in their competitive positions for long periods, has wreaked havoc — domestically in terms of reduced corporate profitability and investment and internationally in terms of spreading protectionism aimed at insulating damaged industries.

Volatility of rate movements has been greater than anyone expected — even though official intervention has remained substantial albeit one-sided, with the United States largely maintaining an attitude of benign neglect. Efforts to get Washington to play an active role in managing the exchange rate have been a major source of friction between Europe and the United

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Maclean Dies In Moscow At Age 69

Briton Was Figure In 1951 Spy Scandal

By Dusko Doder

Washington Post Service

MOSCOW — Donald Duane Maclean, the British diplomat who became a Soviet spy out of conviction and supplied Moscow with priceless information before defecting to the East in 1951, was given a respectful funeral here Friday and hailed as a "faithful son and citizen" of the Soviet state.

Mr. Maclean, 69, died Sunday, but his death was announced in the government newspaper Izvestia only on Friday. Without making any direct reference to his espionage activities, Izvestia described "Donald Donaldovich Maclean" as a man "of high moral qualities and a convinced communist" who "devoted all his conscious life to the high ideals of social progress and humanism" and who performed outstanding services to the Soviet state.

The article, signed "a group of comrades," said "a bright memory of him will remain in our hearts forever."

The tall, elegant former diplomat, whose father, Sir Donald Maclean, was a Liberal Party leader and cabinet minister, was at the center of Britain's most celebrated spy scandal. He and his fellow spy Guy Burgess fled to Moscow in 1951 just before British counterintelligence agents were to interrogate them.

The "third man" in the affair, which led to a major shake-up of British intelligence, was Harold (Kim) Philby, who tipped off Mr. Maclean and Mr. Burgess about



Palbearers carried the coffin of Donald Maclean into Moscow's Donskoy Monastery Friday for funeral services.

their impending arrest. Mr. Philby defected to Moscow in 1953 and is living here. Mr. Burgess died in 1963.

The "fourth man" in the affair was Anthony Blunt, who served as art adviser to Queen Elizabeth II until 1979, when he was unmasked as a former Soviet spy. The three students became idealistic communists, but attending Cambridge University in 1930s, where Mr. Blunt was a don, and subsequently

Delors and French Socialists Face Nervous Days in Clichy

By John Vinocur

New York Times Service

CLICHY, France — Clichy looks like this: rotting buildings, tiny grocery stores, dead concrete slabs slapping into housing projects. On one side, alleys, cobblestones, updated Zola; on the other, Mean Streets, low-rent apartment buildings 10 stories high, a "reader-adviser" who has set up shop in the back of a truck parked on the sidewalk.

It is an unlikely place to land with a parachute. But Finance Minister Jacques Delors, who in normal circumstances might never have anything to do with Clichy, was sent here by the Socialist Party early this year — parachuted, in French political jargon — to run for mayor. More directly, the plan was for Mr. Delors to create himself a nice political base in this rough little town, population 47,000, just over the Paris city line.

The left, mainly Socialists, has run municipal affairs in Clichy for the last 58 years. It was a reasonable assumption that Mr. Delors could take over the job with a couple of afternoons shaking hands; but the first round of the French municipal elections went badly, forcing a runoff on Sunday. If Mr. Delors, probably the most widely respected member of the government, has a chance of losing, it suggests serious dissatisfaction with Socialism nationally.

Mr. Delors got out of his car at a street corner Wednesday afternoon and began talking. His reputation is not as a politician, but as a banker, a man of professional competence, and he seemed to submit to the little crowd waiting for him, rather than to work it.

A woman on crutches looked at

Interior Minister Will Resign Post If He Loses Vote

Reuters

PARIS — Interior Minister Gaston Defferre says he will quit the government if he is not re-elected mayor of Marseilles in Sunday's second round of municipal voting.

Mr. Defferre, who has been mayor for 30 years, is reportedly on the brink of defeat despite efforts this week to rally his traditional support. He is opposed by Jean-Claude Gaudin, the center-right opposition candidate.

With the final stages of the campaign dominated by strident denunciations of rightist leaders by Socialist ministers, Prime Minister Pierre Mauroy appealed for the tension to be lowered. "Despite the controversies, however lively, we must always act in a way which preserves the homogeneity of society," he said in Lille, where he is mayor and faces a runoff.

The government parties have accused the right of exploiting racism and the immigration issue to defeat the left in the first major electoral test since the left gained power in 1981.

him hard. "The problem with you," she insisted, "is that nobody knows if you'll ever be here. And if you're not here, the Communists are going to run things." Mr. Delors, whose campaign has the support of the Communist Party, looked slightly put upon. But he seemed to recover, saying, "I'll be making all the necessary arrangements to be

in Clichy," and then, sounding like a campaigner for the first time, "You come on around to my office and check up on me, huh?"

Mr. Delors's national reputation involves respect for his sobriety within a government whose excesses have been in the area of the euphoric, the incoherent and the doctrinaire. When he talks about why the left did poorly in the first round, it is in his usual straight style. "Take an omelet," he says, "You cut off both ends and distribute them. Some people say you took off too much, others too little. That's our situation. There's not a government anywhere that's been managing the economic crisis over the last two years that would do better in an election. Our biggest error is surely that we haven't explained what we're doing well enough. You've got to associate people with what's going on, and you can't win elections if you don't."

In the first round here, the finance minister got about 47 percent of the vote, with the neo-Gaullist candidate, Gaetan Deudato, close to 44 percent. Two extreme-left parties received enough votes to put Mr. Delors in office if they are transferred to him, but the Trotskyists' campaign was aimed largely at the finance minister.

By any count, the losses experienced by the left in Clichy are substantial. President Francois Mitterrand got 57 percent of the presidential vote in 1981; in the 1977 municipal elections, when there were Socialist and Communist candidates, their combined total was 83 percent.

Mr. Deudato, a local electrical contractor, credits his own hard work for most of the change. In



Jacques Delors, France's finance minister, who faces a runoff election for mayor of the Paris suburb of Clichy.

fact, he seems to have benefited from general irritation with the bad state of the economy, and a developing sense of a local crime problem. Although French mayors have no control over the police, they are often held responsible politically for a city's mood of insecurity, and Clichy was high on a list of crime statistics in the Hauts-de-Seine department. With the town's immigrant population, mostly Arabs, at about 20 percent, there is a lot of talk in Clichy's bars about guns and self-protection.

Mr. Deudato, a calm man, says he believes the feeling of insecurity goes much further than the reality. "There are people in town who would have liked me to do the racial thing, but it's not for me. Absolutely not, that's the last thing we need."

Mr. Deudato, who has lived in Clichy for 18 years, insists that the Socialist Party always took the town for granted.

"Everybody here thinks Mr. Delors is probably the best minister in the government," he says, "but I think the national situation with the Socialists in power made a lot of people look twice at things locally. That's how you lose elections."

Zambia, Once Nkomo's Refuge, Signals Him to Keep Out

By Alan Cowell

New York Times Service

LUSAKA, Zambia — Just opposite the golf club here lie the ruins of a house that once was a nerve center of war. Chickens and crabgrass compete for the space among the debris these days, but not long ago, the villa was home to Joshua Nkomo, Zimbabwe's opposition leader, who fled his country this week for neighboring Botswana.

Lusaka, the tranquil Zambian capital, was his headquarters during the seven years of guerrilla war that preceded Zimbabwe's independence in 1980. But, from the perspective of Zambia and other nations, his political fortunes, like his one-time residence, are in decline. Officials said Mr. Nkomo would not be welcome here if he attempted to return.

Once supported by the broad front of nations, Zambia the most generous of them in Africa, Mr. Nkomo has become an embarrassment for the risks involved in embracing him now are too great.

It is a guiding principle of the organization of African Unity that

a neighbor's affairs should not be interfered with lest vengeance is taken and wider fratricides are exposed.

The seven years of warfare left a legacy of uncertain relationships between Zimbabwe and its neighbors, for there were two rival national guerrilla forces in the field with different supporters.

Zambia and Botswana were associated mainly with Mr. Nkomo.

Mugabe says he would have had nothing to gain by having Nkomo killed. Page 2.

Mozambique and Tanzania were more closely aligned with Robert Mugabe, who is now prime minister and who has resolved to turn Zimbabwe into a one-party state. Mr. Mugabe and his officials were long suspicious of Zambia's motives and, three years after independence, these doubts persist.

Since Zimbabwe's independence, a Western diplomat said, President Kenneth Kaunda of Zambia has "learned over backwards" to try to reassure Mr. Mugabe that his support for Mr. Nkomo during a war will not be transformed into back-

ing for subversion in times of peace.

Thus, Mr. Kaunda refused Mr. Nkomo, a friend and confidant of long standing, when he asked to accompany the Zambian delegation to a summit meeting of the Organization of African Unity in 1980. Mr. Kaunda, attempting to signal goodwill to Mr. Mugabe, also turned down a request by Mr. Nkomo for a meeting.

Of late, Western sources said, Zambian police have arrested up to 50 of Mr. Nkomo's rebellious followers, known officially in Zimbabwe as "dissidents," who have attempted to seek sanctuary in their former rear base in Zambia.

But still, Zambian's suspicions linger and Mr. Nkomo's precarious flight, which Zambians and Westerners in Lusaka interpret as a major blunder, has confronted Zambia with a potential problem.

"Nkomo must not embroil Zambia," a senior Zambian official said when asked whether Mr. Nkomo might find refuge in Lusaka after a stay in Botswana, where the authorities say he is to remain only temporarily.

Zambia remains critically dependent on the railroad line that

runs south from its copper mines, through Zimbabwe, to South African ports.

Over the past year, Zambia has been increasingly concerned by the threat to this route posed by insurgency in Zimbabwe's southwestern province of Matabeleland, where renegade soldiers who once fought under Mr. Nkomo's banner in the war against white rule are said to have killed more than 120 people — while government forces, in a campaign against them, are reported to have slaughtered 1,000 civilians.

A Western diplomat said that the fear is that dissident sabotage, or full-scale civil war, could sever the railroad lifeline.

The depth of Zambia's worries was illustrated in an editorial Friday in The Times of Zambia, a newspaper owned by Mr. Kaunda's United National Independence Party.

It said: "Zambia should have nothing to do with Mr. Nkomo. The irresponsible and implacable rumors circulating in Harare, London and other places that Zambia may offer refuge to Mr. Nkomo should be quashed once and for all."

It added: "Whatever the past was, the government of Prime Minister Robert Mugabe is the one Zambia deals with, not individuals outside that government — dissidents or not dissidents."

During the war years, Mr. Nkomo was feted in Lusaka as the true leader of the Zimbabwean black nationalist movement, but attitudes seem to have hardened. "He cannot come here," a Zambian businessman said, requesting anonymity. "We did enough for him during the war." The reference was to the Rhodesian raids and reprisals that Zambia attracted by being host to Mr. Nkomo's Soviet-supported guerrilla force.

But some Zimbabwean officials assert that there is evidence of Zambian connivance in helping dissidents find sanctuary in Zambia. And, Western diplomats said, it is likely that Mr. Nkomo's guerrillas left arms caches in Zambia when the war finished.

"Zambia just cannot afford this crisis," a Western diplomat said. "If Nkomo slipped into this country there is no way the Zimbabweans would believe that Zambia had not been instrumental in getting him here."



Prime Minister Robert Mugabe of Zimbabwe, speaking in New Delhi at the nonaligned summit conference, denied Friday that he sent troops to kill the opposition leader, Joshua Nkomo. He said it was in the country's interest that Mr. Nkomo return and remain "very much alive" and said he believed Mr. Nkomo would be safe in Zimbabwe.

Russia's Copying Seems to Confirm That It Trails U.S. in Weaponry

By Michael Geller

Washington Post Service

WASHINGTON — One reason that a number of government analysts do not share President Ronald Reagan's view that the Soviet Union now has strategic military superiority over the United States is that the Russians, as one official put it recently, "are always catching up to us."

What he meant, and what, ironically, is documented by the Pentagon's new book, "Soviet Military Power," is that Moscow's prodigious military design bureaus and production ministries are among the world's leading imitators.

From anti-tank rockets to space shuttles, the Russians put into production weapons conceived of and produced first in the United States.

This is not to downplay the awesome military power of the Soviet Union. And by buying or stealing American technology and con-

cepts, the Russians save time and money and avoid the uncertainty of whether something will work.

But what does this say about Soviet inventiveness and, ultimately, Soviet military self-confidence? What it may say is that the Russians are copying the U.S. so effectively that they can take real control of that country.

There is some indication that the Russians fear they are second-rate thinkers when it comes to modern weapons. A year ago, the chief of staff of the Soviet armed forces, Marshal Nikolai V. Ogarkov, noted in a pamphlet that the United States was the producer of the weapons that represented the greatest breakthroughs, from atom bombs to nuclear-powered submarines.

The question also arises of how reliable are those Soviet weapons that are largely copies.

The Pentagon's new book por-

trays Soviet weaponry in largely uncritical terms. Every new weapon is "significant" or "impressive" or will "substantially increase" the threat. Readers are told, for example, that a new version of the Russian Fencer jet fighter-bomber "with its all-weather, low-altitude penetration capability manifestly increases Soviet ability to carry out deep strikes into NATO territory."

Is the U.S. government certain of that? And will all those expensive, all-weather F-15 fighters the United States has sent to Europe in recent years be to no avail against the Fencers?

What is known is that the Russians' new intercontinental ballistic missile failed in its first test last October and that intelligence sources report that Moscow's newest submarine-launched missile has also experienced test failures. Soviet submarines in recent years have suffered some embarrassing inci-

dents, either going dead in the water or running aground.

What the Russians excel at is quantity. They have a huge army and 42,500 tanks in Europe alone. They produce 2,000 tanks and about 33,000 surface-to-air missiles each year, according to the Pentagon report. The sheer quantity of these conventional forces is what seems menacing, as does the size of Moscow's intercontinental missile force.

A big four-color drawing of a new anti-ballistic missile radar opens the Pentagon report. The radar looks just like one the United States built 10 years ago — but in the United States it was junked because scientists do not believe such a system will work, and because such radars make easy targets.

In contrast to the first version of this Pentagon report, published in 1981, the latest edition does include some comparisons with

American forces that add some balance. And at the end of the report, Defense Secretary Caspar W. Weinberger says that all this Soviet power should not "provide the slightest basis for despair" because the Reagan administration is rebuilding U.S. strength.

The U.S. Air Force and Navy are judged as superior to their Soviet counterparts. And American military leaders are not inclined to swap forces and equipment — or allies — with the Russians.

The Soviet Navy faces potentially enormous geographical disadvantages in wartime and can be bottled up in its home ports more easily than can allied fleets.

True, Soviet nuclear missile power is very real and very threatening. But so is that of the United States. Intelligence estimates indicate that each side has the power to deter, neither to overcome.

Reagan Is Urged By Percy to Offer New Missile Plan

Washington Post Service

WASHINGTON — Senator Charles H. Percy, chairman of the Foreign Relations Committee, urged President Ronald Reagan on Friday to submit a new proposal for limiting nuclear missiles in Europe to break the deadlocked arms talks in Geneva.

The Illinois Republican called for the administration to submit a new proposal during the current round of the talks, scheduled to adjourn late this month.

The senator argued that "there is no point in letting the Soviets score a propaganda coup by being the first to move away from their current negotiating position."

Mr. Percy's remarks were in a speech to an air force group in Rosemont, Illinois.

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Foreign Minister Yitzhak Shamir of Israel with reporters after he arrived Friday in Washington. Mr. Shamir is to meet Sunday with Secretary of State George P. Shultz.

Shamir's U.S. Trip: A Search for Compromise

By David K. Shipler
New York Times Service

JERUSALEM — After 10 weeks of direct negotiations on Israel's conditions for withdrawing its troops from Lebanon, the central problem remains unsolved: how to reconcile Israel's demand for security with Lebanon's desire for sovereignty.

The conflict is expressed in Israel's determination to retain some military presence in southern Lebanon. The Lebanese have resisted, fearing trouble with the Arab world over such an arrangement, and possibly a refusal by Syria to withdraw its forces from northern and eastern Lebanon.

After unsuccessful U.S. efforts to bridge the gap, Israel's foreign minister, Yitzhak Shamir, began a five-day visit to the United States on Friday in search of a compromise. He is to see Secretary of State George P. Shultz on Sunday and meet with other officials.

Foreign Minister Elie Salem of Lebanon is reportedly due in Washington at the same time, although it is not clear whether he and Mr. Shamir will meet.

"It's very difficult to find an easy solution," Mr. Shamir said.

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Wednesday in an interview in his office. "We think a certain Israeli presence is necessary for a limited and agreed period until the Lebanese Army and security services will be able to assure the security in these areas."

The question is how the presence is to be defined. But the impression prevails that since Ariel Sharon resigned as defense minister last month, the Israeli stance has become slightly more flexible.

Mr. Sharon put forth a demand for five observation posts in southern Lebanon, manned by about 750 Israeli soldiers and intelligence agents with the right to search

houses, stop people on the street, detain and question people in pursuit of Palestinian guerrillas who might try to infiltrate the area.

"We've not given up the idea," Mr. Shamir said. He repeated Mr. Sharon's suggestion that the outposts exist only until Israel was convinced that the Lebanese Army was ready to assume the burden alone. This would take no less than one year, he estimated.

But privately, some Israeli officials concede that they have almost no chance of gaining Lebanese — and therefore U.S. — agreement. As a result, fallback positions have been developed, designed to eliminate the stigma of full-time Israeli deployment in Lebanese territory, while retaining intimate Israeli involvement in policing a security zone running about 25 miles (40 kilometers) into Lebanese territory.

Israel and Lebanon have reportedly agreed on integrating the Israeli-supplied militia of Major

Saad Haddad into the Lebanese Army, where the approximately 1,800 militiamen would form the basis of a brigade of 2,500 to 3,000 troops.

This unit, which the Lebanese would agree not to transfer elsewhere, would work closely with the Israeli Army, according to well-placed officials. Israel wants Major Haddad, a trusted ally, to command the unit, while Lebanon regards him as an army deserter; both sides are reportedly willing to compromise by giving him a lesser position in the army, outside the south.

The other troublesome issue is Israel's demand that even without signing a full peace treaty, Lebanon should agree to normalize relations, establish trade and tourism, and permit liaison offices.

Officials say that Lebanon has agreed to a declaration of intent, the state of war with Israel, but is afraid of being subjected to an

Arab boycott if it allows Israeli goods to enter. Tourists are apparently less of a problem, and Israel will reportedly get its office in Lebanon, although the Lebanese may not be willing to establish liaison offices.

Lebanon has suggested that the border be closed, with Israeli troops withdrawn, and that negotiations begin six months later on a final agreement. Lebanese officials have reportedly indicated that they would look the other way without a formal pact.

But Israel, figuring that it would have no leverage after pulling out its troops, has insisted on at least an interim, signed agreement on an open border.

Part of Mr. Shamir's task will be to convince Mr. Shultz and other U.S. leaders to support this position more vigorously, in the interest of extending the peace process in the region.

Attack Fails On Holy Site In Jerusalem

By Edward Walsh
Washington Post Service

JERUSALEM — Alerted in advance, the police in Jerusalem broke up late Thursday night what they described as a well-organized attempt by Orthodox and nationalist Jews to establish a settlement on the Temple Mount, a holy site to Jews and Moslems in the Old City of Jerusalem.

The police arrested 45 persons. They later released four after determining that they were not involved in the attempt. The others remained in custody Friday and will be brought before a judge on Saturday night for permission to keep them in custody until they are brought to trial on formal charges.

Local officials, including Mayor Teddy Kollek, condemned the takeover attempt and worked Friday morning to prevent a violent Arab reaction. There were no reports of serious disturbances Friday in East Jerusalem.

The police said some of those arrested were followers of Rabbi Meir Kahane, who founded the Jewish Defense League. That group advocates the forcible expulsion of the Arabs from the West Bank, Gaza Strip and Israel itself.

They also included residents of Kiryat Arba, a nationalist Jewish settlement on the West Bank, and soldiers who were not in uniform. Some of those arrested were armed, the police said.

The Temple Mount is the site of the ancient temple of King David, the Dome of the Rock mosque, and the al-Aksa mosque. The Dome of the Rock, also known as the Mosque of Omar, shelters a rock from which the Prophet Mohammed, according to Islamic belief, ascended to heaven, and upon which, according to the Old Testament, Abraham prepared to sacrifice Isaac. The site is under the jurisdiction of an Islamic council.

Labor Chooses Herzog

The Associated Press

TEL AVIV — The opposition Labor Party on Friday nominated Chaim Herzog, 61, a former diplomat and army intelligence chief, to run against Menachem Begin, a Supreme Court justice and the nominee of Prime Minister Menachem Begin's Likud coalition, for the ceremonial position of president. Election by secret ballot will be held in the Knesset, Israel's parliament, on March 22.

Nimeiri Starting 15th Year of Rule Beset by Libya, Domestic Turmoil

By William E. Farrell
New York Times Service

KHARTOUM, Sudan — With internal political divisions, an external threat from Libya and a ruined economy, Sudan is struggling to maintain at least a veneer of stability as the regime of President Gaafar Nimeiri enters its 15th year.

The Sudanese Socialist Union, the country's only legal political entity, recently again named General Nimeiri as its chairman. Since he has no opponent on the ballot, he is certain to be re-elected to a third six-year term as president in a national plebiscite to be held in April.

General Nimeiri, who has survived a number of coup attempts, came to power in 1969 when he engineered a takeover of the government. He ruled as head of a junta until 1971, when he was first elected president of the largest country in Africa and one of the poorest nations in the world.

A few weeks ago he sent out a distress signal, saying the Libyan leader, Colonel Moamer Qadhafi, was massing troops near the Sudanese and Egyptian borders. He accused the Libyan leader of planning to overthrow him on Feb. 18. The plot, Mr. Nimeiri said, was foiled by Sudanese intelligence agents.

There were some who suspected that General Nimeiri was crying wolf about the Libyan threat because he had warned of Libyan coup efforts in the past, ever since an abortive Libyan-backed attempt to overthrow him in 1976 led to two days of bloodshed in Khartoum.

But officials and diplomats here say the threat, which has now abated, was real. They also point to the fact that General Nimeiri's ally, President Hosni Mubarak of Egypt, was quick to assert the validity of their mutual defense pact. The United States also briefly sent four surveillance planes and the aircraft carrier Nimitz to the area.

Despite the constant hectoring from Libya, the Sudan's economy is forecast in the minds of this varied and nearly ungovernable collection of religious groups and tribes.

General Nimeiri is aware of this and during the recent party congress was greeted enthusiastically when he said:

"Our needs call for tractors, not guns, and our land awaits bridges and canals, not military installations. We need shelter against famine and disease rather than self-destruction."

Economic statistics concerning Sudan and its approximately 20 million people are dispiriting. It has a foreign debt of about \$8 billion, and foreign lenders are constantly rescheduling dates for payments because the government's treasury is often empty.

Sudan currently spends nearly three times more than it earns, and its chief export, cotton, has been hard hit by declining prices. Its main import, oil, costs the country about \$500 million a year.

Many basic foods are imported and prices for such essentials as bread and cheese are three to four times what they do in neighboring Egypt, which is in an economic quagmire.

The southern region is far in distance and culture from Khartoum, which is predominantly Arab and Moslem. There are about 115 tribes in the south, mainly Christian and animist, and there are many feuds among them.

Mr. Nimeiri is pursuing a policy of decentralization in the south, and the notion of regional autonomy is appealing to some and distasteful to others who feel that it will intensify their isolation and further cut them off from the necessities that are doled out by the Nimeiri government.

Lately there have been secessionist incidents in the south caused mainly by the Anyanya Two Movement.

The country is heavily reliant on foreign aid, but what it gets is only a fraction of what it needs. In 1982 U.S. economic assistance amounted to \$160 million and military aid was about \$100 million.

Sudan has great fecund stretches of countryside as well as vast barren wastes with staggering heat and whirling sand. It is estimated that only one-eighth of the cultivable land is being farmed.

Given the economic morass, growing student discontent and the constant shortage of essentials, how does General Nimeiri retain power?

Officials and diplomats here say he is an adept maneuverer. Although he has come perilously close to the abyss, they say, he has managed to make sure that there is no alternative to himself.

He is abetted, one official said, by a fence-sitting, carping opposition that shows "little interest in taking over a country in such a large economic mess and so difficult to govern."

Murder Plot Is Denied By Mugabe

Compiled by Our Staff From Dispatches

NEW DELHI — Prime Minister Robert Mugabe of Zimbabwe denied Friday that he had sent troops to the house of Joshua Nkomo, the opposition leader, to kill him.

"I am not an assassin," Mr. Mugabe said at a press conference at the nonaligned summit meeting in New Delhi. "What would I gain by having him killed? It would only make him even more of a martyr. It is in our interest that he return to the country and remain very much alive."

Asked about the reported arrest Thursday of Mr. Nkomo's wife, Johanna, he said, "No one would be arrested without reason."

Mrs. Nkomo, contacted by telephone at her Bulawayo home, said she was released Friday after two days in detention, but said that her son, Tuli, and daughter and son-in-law, Thandwe and John Ndlovu, were still in custody on suspicion that they had assisted Mr. Nkomo's secret departure for Botswana.

Mr. Nkomo, 65, fled Tuesday, two days after members of the Zimbabwe Army's 5th Brigade raided his house in Bulawayo, killing his driver. Mr. Nkomo later told reporters that he would have been killed if he had been home.

Lebaning Mpotokwane, administrative secretary to Botswana's president, Quett K.J. Masire, told reporters in Gaborone that Mr. Nkomo's stay in Botswana had been longer than expected because of difficulty in finding another destination.

"It is possible he could be stuck here. But we hope that won't be the case," he said.

A spokesman for the Foreign Office in London said Friday that British officials have spoken to Mr. Nkomo about whether he plans to seek refuge in Britain, but said that no such application has been received from Mr. Nkomo.

Asked at the press conference if Mr. Nkomo was safe in Zimbabwe, Mr. Mugabe replied, "I think so, very safe indeed."

Mr. Mugabe recalled that three weeks ago Mr. Nkomo was taken off a plane going to South Africa as the first stage of a visit to Europe. Officials confiscated his passport. Mr. Mugabe said Mr. Nkomo had planned to hold a press conference in South Africa and meet with government officials.



Gaafar Nimeiri

Thais Tell POW Hunters to Leave

NAKHON PHANOM, Thailand (AP) — James G. (Bo) Grier and four other Americans abandoned efforts to find U.S. prisoners of war in Laos and left this border town Friday under orders to get out of Thailand.

Mr. Grier, a former lieutenant colonel in the U.S. Special Forces, vowed, "We will do better next time." The five left for Bangkok and planned to fly on to the United States. The four men and one woman, all from California, pleaded guilty to possession of a radio transmitter. They were fined 3,000 baht (about \$130) each, given suspended sentences and ordered out of Thailand.

Mr. Grier led an unsuccessful mission across the border into Laos last November. He has insisted that he has evidence that several U.S. soldiers captured during the Indochina war in the 1970s are alive in Laos. The Lao government has denied the claim. Mr. Grier also has hinted that a planned second raid into Laos was frustrated by the loss of communication equipment and publicity about the group's first mission in November.

Chinese Athlete Presses U.S. Case

SAN FRANCISCO (AP) — Hu Na, a Chinese tennis star, who plans to visit the United States in July, went to Washington on Friday to press for politically sensitive request for asylum. The case has strained relations between China and the United States and involved officials at the highest levels in both countries.

Miss Hu, 19, and her lawyer, Edward C.Y. Lau, said before leaving San Francisco on Thursday that they hoped a personal appeal would lead the State Department and the Immigration and Naturalization Service to approve her application immediately.

Secretary of State George P. Shultz, confronted with Chinese publicity over the case during his visit last month to Beijing, said he had discussed the problem of defecting athletes and performers in a meeting with Prime Minister Zhao Ziyang.

Spanish Socialists Popular in Poll

MADRID (Reuters) — Spain's Socialist government, which came to power in October, has a high popularity rating, according to a poll published Friday by the daily newspaper *Diario 16*.

The nationwide survey of 1,700 people showed that 58.5 percent considered the government effective and 77.6 percent thought the situation would improve. Prime Minister Felipe Gonzalez's personal popularity was the highest among political leaders with 73 points out of 100.

On Spain's membership of the North Atlantic Treaty Organization, 61.3 percent said the country should not belong and should not show the presence of U.S. bases. The government has frozen integration into NATO's military wing but has renewed a treaty giving the United States facilities at one naval and three air bases. However, it says it will negotiate changes in the agreement.

3 Soldiers Held in Salvador Killing

SAN SALVADOR (AP) — An army sergeant and two private soldiers were imprisoned in connection with the shooting death of a U.S. citizen last fall, Defense Minister Jose Guillermo Garcia announced Friday.

General Garcia said at a news conference that they had had to account for the death Oct. 13 of Michael Kline, 21, of San Diego, on a highway 106 miles (171 kilometers) northeast of San Salvador. The soldiers had said Mr. Kline was shot from long range as he tried to board an autopsy showed that he had been shot at least twice from point-blank range, General Garcia said.

The case is the third in which members of Salvadoran security forces have been jailed in connection with the deaths of Americans. Five National Guardsmen are awaiting trial for the 1980 shootings of three U.S. nuns and a lay worker, and two are in custody after allegedly participating in the 1981 murders of two U.S. civilians. The U.S. Congress has demanded progress in the cases in exchange for continued aid.

Carter Urges Justice in Mideast

TEL AVIV (NYT) — Former President Jimmy Carter has declared that his religious belief commits him to the existence of Israel as a Jewish state. But he also urged Israelis to seek peace with justice for the Palestinians.

Mr. Carter, on a tour of the Middle East, was speaking Thursday at Tel Aviv University, after receiving an honorary doctorate. His remarks followed a day of meetings with Palestinian Arabs in the occupied West Bank, and a colloquium with Israeli scholars.

"God has ordered and ordained the existence of the state of Israel as a permanent homeland of the Jews," said Mr. Carter, who is a Jew. "This is my deep religious belief."

But he added that "the right of the Palestinians to have a say in shaping of their own destiny, the resolution of the Palestinian problem in its aspects," was essential. "I am convinced that permanent peace and justice for all is not possible," he said.

18 Die in Venezuelan Plane Crash

BARQUISIMETO, Venezuela (UPI) — A Venezuelan airplane carrying 50 persons crashed and exploded on landing at the Barquisimeto airport Friday, killing at least 18, authorities said.

The Avensa DC-9 burst into flames and blew apart as it touched down on the main runway of the airport on a domestic flight from Caracas, 160 miles (258 kilometers) to the east. The cause of the crash has not yet been established.

For the Record

ROME (UPI) — The government of Prime Minister Amintore Fanfani won a confidence vote Friday in the Chamber of Deputies on a plan to cut cost-of-living raises by about 15 percent, and to realign social benefits and pensions.

ATHENS (UPI) — More than half of Greece's 220,000 civil servants went on strike Friday over pay and pensions, which their unions said had been frozen by the government.

BELFAST (AP) — Four hooded men shot and killed Eugene Kelly, a reputed gunman for the Official wing of the Irish Republican Army, on West Belfast early Friday, police reported.

At a Polish Ski Lift, as in Everyday Life, Having Pull Is What Counts

By John Kifner
New York Times Service

ZAKOPANE, Poland — The entrepreneur was a small businessman, perhaps 13 years old, with a mischievous smile and quick eyes that darted around the crowd at the ski lift.

The deal was made out of the corner of the mouth. A ticket for cabin 15 on the cable car that would leave in 20 minutes. It had to be cabin 15 to match the ticket already purchased from a fat man in a parka loitering near the bus stop. The youth nodded and disappeared. All around, similar deals were being made.

He was back in a moment, stepping behind a pillar and flashing the ticket in the palm of his hand. It would be 360 zlotys, or more than \$4, only three times the posted price. A good deal, for this was an overcast day and the crowds were scarce. On a fine Sunday, skiers here say, the price can go up to 1,000 zlotys or more for the ride up the mountain.

For Poles, Zakopane, once a tiny

village of rugged independent mountain shepherds high in the Tatra Mountains near the Czechoslovak border, is virtually a synonym for holiday.

And Zakopane is in many ways a microcosm of Poland today. The major ski lift at Kuznice, for instance, is a prime example of the ability of the authorities to create bureaucratic procedures of such stunning unworkability that they simply invite the creation of an underground alternative.

It is a system that permeates Polish life, where the key to survival is the network of *kombinacje*, or contacts that allow one to beat the system.

Unlike most lifts, where one simply buys a ticket and lines up, the cable cars that carry skiers to the top of Mount Kasprov are numbered and assigned specific departure times. Guards check to make sure that the time ticket and car ticket match; no one is supposed to be let on earlier or later. It is a system that begs for subversion.

The most visible impact of the imposition of martial law, skiers say, is the return of the special privilege lines.

The special lines were abolished during the heyday of the independent union Solidarity. But now the privileged are again flashing special passes that let them cut to the head of the line. They may be party officials, wealthy bank marketers or private businessmen, or even locals with a particular *kombinacja*, such as the ability to obtain the scarce spare parts to keep the lift running.

At least some of the special passes are supposed to be for athletes training for the national teams, but the paunches of many of the middle-aged holders speak more of power than of Alpine prowess.

Zakopane is at the center of the Podhale, the region of high pastures and jutting, rocky peaks that is the home of the *gorale*, or mountaineers, who occupy a special place in Polish folklore.

It first attracted attention as a health spa at the turn of the century, when the mountain air was thought to cure tuberculosis. Soon artists and intellectuals and the wealthy came. Among the notables was the composer Karol Szymanowski, who wove the shepherds' songs into his symphonies.

But in the Stalinist 1950s, it was decided that Zakopane was to be a workers' paradise too, touching off a construction boom. Blocks of gray, drab, dormitory-like buildings allocated to factories, steelworks, mines and industrial combines sprang up, shouldering aside the traditional mountaineer houses of squared-off cedar logs.

Some of the *gorale* made fortunes selling off their land. Others, who did not move fast enough, had it confiscated. In the outlying villages, the mountaineers try to cling to traditional ways. The horses that

pull the vacationers' sleighs are still used to haul logs and coal, as they are in most of rural Poland.

But, for better or worse, life has inescapably changed.

Andrzej Bachleda, the craggy-faced patriarch of a *goral* clan, remembers trying to make his grandfathers throw them away, shouting, "These are not for us, we are made only for work."

Mr. Bachleda went on to become Poland's skiing champion as well as an international concert singer, and his two sons are world-class skiers. Still, he wanders.

A mountaineer waits with his sleigh for a fare outside a hotel in Zakopane, Poland.



A mountaineer waits with his sleigh for a fare outside a hotel in Zakopane, Poland.

"Change is inevitable," he said over homemade vodka flavored with black currants. "But for the authentic mountain people, civilization is always a threat."

For some of the old-timers here, the symbol of civilization's encroachment is the mammoth new Hotel Kasprov on the edge of town, the prime playground of Poland's wealthy and privileged, who are derided as show-offs as they flaunt their ski togs.

The hotel is, of course, fully booked, but a certain cab driver in Krakow can produce a reservation within an hour.

The folders and signs in the hotel offer a number of restaurants, but there is only one, and with a long line to get in. There is a seven-page menu, but only the food on the first page is available.

Because of the food shortage, many of the restaurants in town have been closed. At the writers' club, a spare but comfortable boarding house where many of the country's most articulate malcontents are wintering, a poet burst in the other day, shouting, "There are lemons in the store! And only 21 people in line!"

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Reagan Will Letting 200-

WASHINGTON — President Reagan has extended U.S. rights to a region covering 200,000 square miles of the North Atlantic by declaring an exclusive economic zone of 200 nautical miles.

The proclamation, which took effect immediately upon being signed, states that U.S. rights to the zone, including oil and gas, extend to production of minerals from the zone.

Part of Mr. Reagan's task will be to convince Mr. Shultz and other U.S. leaders to support this position more vigorously, in the interest of extending the peace process in the region.

Prime Rate Falls

NEW YORK — New York's prime rate after record highs in 1980 and 1981, slipped 5.1 percent to 11.75 percent on Friday, the Federal Reserve's annual report shows.

Withholding Delays Job

WASHINGTON — The Senate, in a vote that President Reagan, temporarily put off Friday an amendment repealing withholding taxes on investment income and on the estate of nonresident aliens.

The Senate majority leader, Howard H. Baker Jr., a Tennessee Republican, had hoped to finish on the bill Friday night. But he said that because the chamber was "depleted by absences" he decided to wait until Monday to complete action of the measure.

The administration-backed program would cost \$1 billion, placing emphasis on the hardest hit by unemployment. The bill also contains \$5 billion to replenish the federal unemployment trust fund that would otherwise run out of money on Oct. 1.

Mr. Reagan entered the battle after it appeared that the bill, which has bipartisan support, was jeopardized in the Senate by a politically popular amendment that would repeal a law requiring the automatic withholding of taxes on interest and dividends.

The amendment has been called by an avalanche of constituents and generated by the banking lobby.

The intensive lobbying they've been using to get a great distortion in the situation," Mr. Reagan said in an informal news conference. "We've led many people to believe that we're ignoring the fact of how

U.S. Senate Social Secur

By Robert C. Siner
International Herald Tribune

WASHINGTON — The Senate Finance Committee, in approving a \$60-billion Social Security rescue package, has voted to restrict sharply future Social Security benefits paid to nonresident aliens.

The panel adopted Thursday by voice vote language proposed by Senator Richard G. Lugar, Republican of Indiana, that would limit the amount to which non-Americans living in the United States have contributed to the U.S. system.

Recent studies show that non-Americans living in the United States have contributed to the U.S. system in about two years.

The measure would also bar payment to any dependents acquired by the alien worker after leaving the United States.

However, benefits now being paid to nonresident aliens would not be affected by the measure. In some countries having Social Security treaties or reciprocal agreements with the United States, benefits are negotiated with other nations in the future, their citizens become eligible for full benefits.

When dependents of Americans receive full benefits even after the death of their spouses or parents.

The entire rescue package, which passed last Thursday, will go to the Senate floor early next week, where passage is all but assured.

Non-American workers who have contributed to the U.S. system will have to go to a Congressional conference where different rules in the House and Senate will be resolved. No language in the House version.

The plan is

Reagan Widens Rights To Ocean Mining by Setting 200-Mile Zone

WASHINGTON — President Ronald Reagan has extended U.S. mining rights to a region covering about four million square miles of ocean by declaring an exclusive economic zone of 200 nautical miles.

The proclamation, which took effect immediately upon being issued Thursday, stakes out U.S. rights to explore and mine all minerals in the zone, including oil and gas, and extends to production of energy from currents and winds. It does not directly affect fishing rights, which vary according to the species involved, or territorial waters, which remain at three nautical miles off the U.S. coast.

Officials said the economic zone would not affect the rights of other nations to use the waters and air space for navigation or for most kinds of fishing, but some senators said they would introduce legisla-

tion to expand the protected fishing zone.

The United States declared that the waters adjacent to the United States, Puerto Rico, and all U.S. overseas territories, including the Pacific Trust territories, are an exclusive economic zone.

U.S. officials said it is consistent with the Law of the Sea Convention, which the United States has refused to sign. The convention, negotiated at the United Nations, was signed by 117 nations. The United States and 20 other countries declined.

The United States regards as restrictive and inimical to free enterprise the convention's methods for dealing with the mining of ocean-bearing rocks that are beyond national jurisdiction. Under the system, private consortia would have to be licensed by an international authority that would regulate all such mining.

Mr. Reagan's proclamation aims to protect U.S. rights to the mining of minerals, such as manganese nodules and sulfide deposits.

The decision ended a two-year debate within the administration about how to deal with the Law of the Sea Convention.

Officials said 56 other countries have made similar claims to exclusive economic zones. In areas where the nationally claimed zones overlap, such as the Caribbean, or in the Aleutians, the area would be divided in accordance with international law — usually by drawing a line down the middle.



The broken pilings and planks of the Santa Monica Municipal Pier, which once extended another several hundred feet into the Pacific, lie in a heap following the destruction caused by recent storms. Restoration of the 67-year-old pier will cost about \$9 million.

California Finds Its Coast Eroding As Weather Patterns Seem to Shift

By Robert Lindsey
New York Times Service

LOS ANGELES — The tropical storms that swept scores of homes into the Pacific Ocean and closed parts of the scenic oceanic highway this winter have fundamentally eroded long stretches of the California coast.

Some marine scientists said the state has entered a period of intense weather that will slice deeper and deeper into California's coastline of more than 1,000 miles (1,600 kilometers) until many beaches have been washed into the sea.

"We are on an eroding coastline," said Dr. Douglas L. Inman, director of the Center for Coastal Studies of Scripps Institution of Oceanography near San Diego and the leading proponent of the view that many California beaches are doomed.

Not all specialists in the field share his view, but most agree that the state's shoreline has been receding since 1978. And they say that over the last 30 years, when most development along its coast occurred, California was experience-

ing an atypical period of very mild weather. They say it is foolhardy for the U.S. government to foster home-building on the coast through subsidized flood insurance and low-interest disaster loans after storms.

The most severe damage this year was caused by a storm in January and another last week that hammered the shore with waves up to 16 feet (five meters) high.

From San Diego to points north of San Francisco, beaches have disappeared, the sand carried into the ocean by powerful tides. Roads and beach parking lots have been washed away. Piers that had stood for decades are gone.

On Thursday, residents of Big Sur, a coastal village about 125 miles south of San Francisco, were carefully watching a huge chunk of rain-soaked mountain that has shifted toward the sea.

The section of earth — a quarter-mile long, 300 feet wide and 100 feet high — moved about six feet Wednesday, dropping onto California Route 1, the Coast Highway. Geologists said it would be two or three days before they knew whether the piece of mountain had

stabilized or posed a danger to nearby residents.

Thirty miles north of Big Sur, in Carmel, which has long boasted of having one of the most scenic white-sand beaches in America, the beach is gone, covered by the sea.

Here in Los Angeles, the surf now laps over vast areas of beaches where, a few weeks ago, lifeguard stations stood and bathers sunned themselves.

In the past, Dr. Inman said, sand washed away during heavy storms was later replenished by rivers and streams, which carried the sand from river beds to the shore. But in the future, he continued, it is likely that much of the sand lost to the sea will not be replaced because most of the state's major rivers have been dammed, and other coastal developments have interfered with the movement of sand along the coast.

Other scientists believe this year's storms were caused at least in part by particles thrown into the atmosphere by a string of major earthquakes around the world since 1978. Like Dr. Inman, they said they believed that the coast now faced several years of severe weather.

Crime Rate Falls In New York City

NEW YORK — New York City's crime rate, after record highs in 1980 and 1981, dropped 5.1 percent last year, the Police Department's annual crime report shows.

Sixty of the city's 73 police precincts registered declines in reported felonies in 1982, according to the report, which was released Thursday.

Withholding-Tax Issue Delays Job Bill in U.S.

WASHINGTON — The Senate, facing a veto threat from President Ronald Reagan, temporarily put aside Friday an amendment repealing withholding taxes on investment income and quit for the weekend without completing action on a \$3.7-billion job bill.

The Senate majority leader, Howard H. Baker Jr., a Tennessee Republican, had hoped to finish work on the bill Friday night. But he said that because the chamber was "decimated by absences" he had decided to wait until Monday to complete action of the measure.

Earlier, the Senate easily defeated a Democratic attempt to add \$1.7 billion worth of job programs and aid for recession victims.

The administration-backed emergency job program would cost \$3.7 billion, placing emphasis on state aid for unemployment insurance. The bill also contains \$3.7 billion to replenish the federal unemployment trust fund that would otherwise run out of money on Tuesday. The fund lends money to states to pay unemployment claims.

Mr. Reagan entered the battle Friday after it appeared that the bill, which has bipartisan support, could be jeopardized in the Senate by a politically popular amendment that would repeal a law requiring the automatic withholding of taxes on interest and dividends.

The amendment has been backed by an avalanche of constituent mail generated by the banking industry.

"This intensive lobbying they've done has led to a great distortion of the situation," Mr. Reagan said in an informal news conference. "They've led many people to believe, or to ignore the fact of how

many millions will be exempt from withholding."

"I've always said that I resist saying in advance whether I will veto or not. There are always exceptions to the rule and this is an exception. Yes, I would veto such legislation," the president added.

Under the withholding law, which was passed last year as part of a general tax bill, 10 percent of income from dividends and interest will be withheld starting July 1.

Under heavy pressure from the banking industry, however, a majority of members of both houses have endorsed repeal even though it is estimated that the action would add about \$20 billion to federal deficits over the next five years.

Although Senator Robert W. Kasten Jr., a Wisconsin Republican, apparently had enough votes to gain approval of his repeal amendment, Mr. Baker used a parliamentary tactic to postpone consideration until later in the day.

Mr. Baker and the Senate minority leader, Robert C. Byrd, Democrat of West Virginia, indicated earlier that they did not know if they could muster enough votes to defeat the repeal amendment.

An aide to Mr. Baker said an easy solution would be to let the Kasten amendment pass and then have it knocked out in the conference committee with the House, which passed a \$4.9-billion job bill last week without the repeal amendment. But the aide said Mr. Baker did not want to let the industry win even a symbolic vote.

The chairman of the Senate Finance Committee, Robert J. Dole, a Kansas Republican, who supports the withholding law, threatened Thursday to stage a filibuster against repeal.

Donald Maclean Dies; Figure in Spy Scandal

(Continued from Page 1)

but outsiders were not admitted to the ceremony.

Mr. Maclean's red-draped coffin was subsequently taken to the city's principal crematorium on the grounds of the Donskoy Monastery, where his colleagues carried it on their shoulders in the traditional Russian ceremony. They were followed by other mourners carrying his portrait and a red cushion on which were displayed his three high decorations — the Lenin medal for glorious labor, the Red Banner of Labor and the Fighting Red Banner.

One of the wreaths bore the inscription "From comrades in arms" and was presumably from the KGB, the Soviet secret police. Inside the crematorium, as an organist played funeral music, about 100 mourners placed roses, tulips and other flowers on the coffin and an orator hailed Mr. Maclean as a faithful Soviet citizen.

None of Mr. Maclean's close relatives — his American wife, Melinda, and their three children, Fergus, Donald and Melinda, was present. All live in the West. Also missing was Kim Philby.

Following his graduation from Cambridge, Mr. Maclean joined the Foreign Office and was first posted in Paris in 1938 as a third secretary in the British Embassy.

In 1944, Mr. Maclean was sent to the British Embassy in Washington and remained there until 1948. For the last year of his tour in Washington he was the British representative on the Combined Policy Committee on Atomic Development, which also had representatives from the United States and Canada.

It is believed that he supplied Moscow with priceless information on the subject. While in Washington, he also had access to secret materials of the U.S. Atomic Energy Commission.

In 1948, Mr. Maclean was promoted to a senior position at the British Embassy in Egypt, where he drank heavily. At one point he was arrested in a drunken condition in Alexandria and was held for two days in jail.

Following the incident, Mr. Maclean was given a six-month leave of absence and was transferred to London, where he became head of the American department in 1950. He was fully briefed on all aspects of U.S.-British relations, which he was able to pass on to Moscow.

The next year, suspicions about numerous leaks narrowed down to Mr. Maclean as a possible Soviet agent. Warned by Mr. Philby, who had joined British intelligence in 1940, Mr. Maclean and Mr. Burgess fled to France and on to Moscow.

Mr. Maclean, who took Soviet citizenship, worked for many years at the government research institute and published extensively under a pen name. As far as it could be known here, he has not written his memoirs. He has been ailing for some months and was hospitalized in early January.

Ulf von Euler, Nobel Laureate In Medicine, Dies

The Associated Press

STOCKHOLM — Ulf von Euler, 78, winner of the 1970 Nobel Prize in medicine, died here Thursday, his family and colleagues announced Friday.

A pharmacologist and biochemist, Mr. von Euler detected the prostaglandin hormone group in the 1930s. His most renowned discoveries were the nerve hormone noradrenalin and how information is transmitted among nerve cells through signal substances, which earned him his Nobel award. He shared the prize with Julius Axelrod, an American, and Bernard Katz, a Briton.

Mr. von Euler was a member of numerous foreign academies and held honorary doctorates from 10 universities. He was secretary of the Karolinska Nobel committee in the 1950s and 1960s and chairman of the Nobel Foundation from 1965 to 1976. His father, Hans von Euler, received the Nobel Prize in chemistry in 1929.

Other deaths: Evsei Liberman, 85, an economist whose proposals to enhance the profit motive launched an abortive effort in the 1960s to reform the Soviet economy. The report in the magazine *Eko*, which is published by the Soviet Academy of Sciences, gave no details of his death.

Paul Gerály, 98, a French poet and playwright whose most famous work was the 1913 volume of verse "Toi et Moi." Thursday in Neuilly-sur-Seine, France.

White House Begins Delicate Job Of Selecting a New EPA Director

Compiled by Our Staff From Dispatches

WASHINGTON — The White House has taken up the delicate task of choosing a new administrator for the Environmental Protection Agency and of containing the political damage caused by the dispute with Congress.

The dispute, which led to the resignation Thursday of Anne McCall Burford, the EPA administrator, already has caused serious political damage to President Ronald Reagan and the Republican Party, White House and party officials said Thursday.

By withholding documents from congressional investigating committees and permitting the dispute to drag on for almost three months while he firmly supported Mrs. Burford, Mr. Reagan allowed suspicion to grow that the White House was involved in a cover-up, the officials told the Los Angeles Times.

Frank J. Fahrenkopf Jr., chairman of the Republican National Committee, said the congressional investigations so far had produced "no clear violation of the law." The problem, however, is that "the longer the controversy drags on the more it intensifies a view that the administration and the president are anti-environment," he said.

Two other Republican officials, who declined to be identified, said the party has suffered politically along with the president as the dispute has continued and the investigating committees have brought

out allegations of mismanagement and wrongdoing at the agency.

But a senior White House official said that "with Anne Burford's resignation, we're looking for the story to move off Page One in about a week. Hopefully, it'll finally go away unless there is some evidence of a cover-up."

"It's important who we appoint" as a successor, one ranking presidential aide told The New York Times. "And we have to clearly demonstrate our concern on the environment in the coming months." But he said that if newly released EPA documents "show no great illegalities, we'll be O.K."

Representative Guy V. Molinari, a New York Republican, said, "I have seen a few of the documents and some of them will prove very, very embarrassing to the White House, to say the least. But even at that, I cannot understand how the White House chose to make such a terrible blunder with the executive privilege fight."

The chairman of congressional subcommittees investigating the EPA have said that Mrs. Burford's resignation and the Reagan administration's promise to release subpoenaed agency documents will not slow the investigations.

White House officials said selection of a successor is likely to take several days of very careful consideration that will include consultation with Congress.

John W. Hernandez, who had been deputy director of the agency, was named acting administrator after Mrs. Burford's resignation.

"It can't be just a good guy from an old administration who has business ties now," said one worker for Republicans in the Senate. "The president has got to use this appointment to kill the persistent notion that he sympathizes with big business on the environment."

White House officials privately denied the contention of some Republicans that Mrs. Burford had been unfairly forced out after she reluctantly followed the president's strategy of claiming executive privilege in withholding agency documents from congressional committees.

There was official silence on the subject at the White House. From an administration lately intent on showing unanimity in its official voice, no single account was immediately available of events leading to Mr. Reagan's decision to claim the privilege.

Some White House aides questioned whether the Justice Department had given the president good advice in persuading him to claim the privilege.

"But the executive privilege decision eventually was a consensus thing," said one White House official.

■ Reagan Defends Burford

Mr. Reagan defended Mrs. Burford on Friday, saying that he would never have asked for her resignation. The Associated Press reported from Washington. He also discounted stories that quoted unnamed aides as saying that Mrs. Burford had been urged by officials to resign.

Behind the Burford Resignation Sources Tell of Pressure by White House Aides

By Lou Cannon
and David Hoffman

WASHINGTON — The resignation of Anne McCall Burford as administrator of the Environmental Protection Agency was carefully orchestrated by White House and other administration officials who had to persuade a "stubborn and defiant" President Ronald Reagan, as well as Mrs. Burford, that her departure was politically essential, according to sources in the administration.

These sources said Thursday that White House officials, led by James A. Baker 3d, the chief of staff, concluded last week that Mrs. Burford had to go and that Mr. Reagan would agree to it only if she were allowed to "withdraw gracefully."

Mr. Reagan was described as unwilling to believe that Mrs. Burford had done anything wrong. He reportedly saw her as a target of the media and of critics of his environmental policies who were using Mrs. Burford's difficulties as an excuse to attack the administration.

While the White House sought to give to Mrs. Burford's resignation Wednesday the appearance of a graceful departure, officials acknowledged Thursday that she had, in fact, been forced to quit.

"The president was sincere in saying he regretted her going," said one official. "But the fact is that Baker and Meese handed him Burford's head on a silver platter, and he had no choice but to accept it." Edwin Meese 3d is a counselor to Mr. Reagan.

Mr. Meese was informed Tuesday by Mrs. Burford's lawyer, Douglas Bennett, that she would resign, according to David R. Gergen, the White House communications director.

The news came as no surprise. Sources said that for several days Mr. Baker and other White House officials had been encouraging moderate Republicans to call for Mrs. Burford's removal. But they recognized that the president was most likely to listen to Mr. Meese.

Mr. Meese, considered the most conservative of the president's top advisers, reportedly went to Mr. Reagan after a conversation with Mr. Baker and Craig L. Fuller, the cabinet secretary, and persuaded the president to accept Mrs. Burford's resignation. Sources said Mr. Meese worked closely with Interior

Secretary James G. Watt, who had been Mrs. Burford's mentor.

These sources said Mr. Watt was talking to Mrs. Burford about resigning at the same time Mr. Meese was convincing the president to accept her resignation.

The groundwork had been laid in a meeting in San Francisco the previous Friday, when aides tried to persuade the president to fire Mrs. Burford. He told them he would not.

But Mr. Meese and Mr. Watt had set the wheels in motion for Mrs. Burford's departure. "Watt came to us in behalf of Burford and went back to Anne in behalf of us," one White House official said Thursday.

It was Mr. Meese whom Mrs. Burford saw before delivering her resignation to the president; it was Mr. Meese and Mr. Watt who went to the White House residential quarters with her; and it was Mr. Meese who spoke with her afterward in his office.

Other White House officials had given their blessings to the growing demand among Republicans for Mrs. Burford's removal. Governor Thomas H. Kean of New Jersey, in urging Wednesday that Mrs. Burford step down, knew that the White House welcomed his statement.

Sources in the administration and in New Jersey said Mr. Kean

first asked Richard S. Williamson, White House assistant for intergovernmental affairs, whether New Jersey, which needs federal anti-pollution funds, would be stigmatized if he called for Mrs. Burford's resignation.

Mr. Williamson, who reports to Mr. Baker, said it would be "O.K. with the White House," one source said.

Officials said Mr. Baker, Mr. Fuller and Richard G. Darman, a presidential assistant, had become convinced by early last week that the EPA controversy was damaging the Reagan presidency just as signs of economic recovery were giving it a boost. Public opinion surveys showed that a significant majority of Americans were convinced that the EPA and Mr. Reagan were favoring business at the expense of the environment.

Then Fred F. Fielding, the White House counsel, told Mr. Baker that Matthew L. Novick, a former EPA inspector-general, had warned Mrs. Burford nearly a year ago of possible conflicts of interest involving her former aide, James W. Sanderson. Mr. Baker became convinced, officials said, that Mrs. Burford should be removed from the EPA before the Justice Department completed its investigation into the Burford-Sanderson relationship.

U.S. Senate Panel Votes to Curb Social Security of Aliens Abroad

By Robert C. Siner

International Herald Tribune

WASHINGTON — The Senate Finance Committee, in approving a \$163-billion Social Security rescue package, has voted to restrict severely future Social Security benefits paid to nonresident aliens.

The panel adopted Thursday by voice vote language proposed by Senator Richard G. Lugar, Republican of Indiana, that would limit payments to non-Americans living abroad to the amount they have actually contributed to the U.S. system plus interest. Recent studies show that retirees get back this amount in about two years.

The measure would also bar payments to any dependents acquired by the alien worker after leaving the United States.

However, benefits now being paid to nonresident aliens would not be affected by the measure. In addition, payments to citizens of some countries having Social Security treaties or reciprocal agreements with the United States will not be affected. When such agreements are negotiated with other nations in the future, their citizens will become eligible for full benefits.

Alien dependents of Americans receive full benefits even after death of their spouses or parents.

The entire rescue package, which passed late Thursday, will go to the Senate floor early next week. Each passage is all but assured, with them have to go to a Congressional conference where differences in the House and Senate versions will be resolved. No language relating to nonresident aliens is in the House version. The plan is

expected to be on President Ronald Reagan's desk before the end of this month.

Just over 300,000 Social Security checks are mailed abroad every month and it is estimated that about two-thirds of these go to non-Americans and their dependents.

If the language is adopted, it will cut off benefits to future retirees in all but nine nations — Greece, Ireland, Israel, Japan, the Netherlands and Nicaragua, which had Social Security treaties, and Italy, West Germany and Switzerland, which have reciprocal agreements.

Agreements with Belgium and Norway have been signed but have to be approved by the Senate, and an agreement with Canada awaits a separate agreement with Quebec.

before being submitted for adoption.

■ Retirement Age Would Rise

In approving the rescue package, the Senate Finance Committee voted to raise the basic retirement age to 66 and to cut benefits slightly in the next century. The Washington Post reported.

As part of the amendment on age and long-term benefits, which passed 13-4, the committee included two proposals sponsored by Senator William L. Armstrong, Republican of Colorado. One phased out the \$6,600 annual earnings limit on Social Security retirees from 1990 to 1994; the other allowed women to take two years off from work for childbearing without incurring a reduction of benefits when they retire.

Hawke Takes Office in Australia

Compiled by Our Staff From Dispatches

SYDNEY — Bob Hawke, a former union leader, was sworn in Friday as prime minister of Australia, but he indicated that his Labor government might not be able initially to fulfill its election promises.

He told a radio interviewer that Labor had inherited an economic disaster, including a budget deficit estimated at 10 billion Australian dollars (about \$8.5 billion).

He said he did not know how the deficit would affect promised tax cuts but said, "It will obviously restrict our ability to stimulate the Australian economy."

Mr. Hawke also said he would follow the pattern of close ties with Washington set by Australia's Labor government in the 1940s. It

was a relationship "not of sympathy, but where we, realizing our close ties with the United States, nevertheless were prepared to criticize if we thought they were not pursuing an appropriate course of action," Mr. Hawke said.

His broadcast did not mention Labor's onetime opposition to U.S. bases in Australia.

Mr. Hawke also said his close personal relationships with the leaders of Egypt and Jordan and the people of Israel might enable him to play a role in the Middle East.

In Asia, he said his government would work to restore good relations with Indonesia, which the Labor Party criticized when it annexed East Timor.

The Labor Party won power Saturday, sweeping out Prime Minister Malcolm Fraser, who had headed a Liberal-National Party coalition for seven years. Mr. Hawke's 27-member government is composed mostly of Labor moderates.

As Mr. Hawke was being sworn in, the Liberals were electing a new leader, Andrew Peacock, 44, a former foreign minister.

Mr. Fraser, 53, the second longest-serving prime minister in Australian history, resigned as party leader after the election and is expected to retire from politics soon.

Mr. Peacock challenged Mr. Fraser for the party leadership in 1982 but lost, 54-27.

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Herald Tribune

Published With The New York Times and The Washington Post

Pious Nuclear Prattle

After all the pious on both sides about a nuclear "freeze," can we please get back to policies? Most members of Congress are now merely mouthing an arms control slogan with proven voter appeal. When pushed to define it, they are all over the lot.

Some would freeze arms production, testing and deployment by agreement with the Soviet Union; others would do it unilaterally. Some want a freeze as a prelude to arms reductions; others want reductions and then a freeze. Some want to pressure the president to negotiate faster; others think their freeze formulas support his diplomacy. Thus the freeze idea, once a useful prod to an administration lukewarm toward arms control, has become a catchall to exploit fear and discontent.

But turn away from the sheep and you confront even greater sanctimony in the wolf. Having failed in a shabby effort to brand the freezies as dupes of the Kremlin, Mr. Reagan now approaches arms control through the Gospel. "There is sin and evil in the world and we are enjoined by Scripture and the Lord Jesus to oppose it with all our might," he says. Anyone who suggests that American and Soviet policies share blame for the arms race commits the sin of pride by removing himself from "the struggle between right and wrong, good and evil." Heaven spare us.

The larger shame of such inflammatory talk is that the president could make a perfectly reasonable policy case against those who mean to freeze arms development here and now.

Although each side has more than enough weapons to blow up the world, imbalance in their number and quality can be dangerous. Missiles that threaten retaliatory forces could, in a crisis, tempt either side to

shoot first. A workable freeze has to proscribe such a first-strike capacity.

Many technological advances can escape reliable detection. An effective freeze would only limit weapons that are verifiable and at levels where hidden improvements would make no great difference.

A nuclear freeze cannot protect against non-nuclear breakthroughs. The invention of a way to locate missile-bearing submarines, for example, would require their prompt modification to guard against surprise attack. No static freeze will ever work: every agreement must anticipate another.

Any limit, whether freeze or reduction, requires negotiation. A unilateral freeze would only remove incentives to negotiate. And only continuing negotiations will preserve confidence in the frozen levels of weaponry, allay suspicions and assist in cooling crises.

There is a reasonable case, too, for criticizing the president. He has been sluggish about negotiating an arms deal: some of the weapons he wants will complicate, not facilitate, the task; and he is poorly staffed for serious bargaining. But these concerns argue for selective opposition to some of the weapons proposed, like the MX. And they argue for a political effort to hold the president responsible for lost opportunities.

Mr. Reagan is naive if he thinks the technology and suspicions of God-fearing societies cannot push an arms race as hard as those of a godless tyranny. His critics are naive if they think self-righteous resolutions will push him into security deals he does not trust. The real issues of arms control and reduction are hard enough without all these platitudes.

—THE NEW YORK TIMES.

Costly Gobbledygook

For all in Washington whose native tongue is Gobbledygook, it goes without saying that incomprehensibility has been the watchword on the upward swing of the bureaucratic career orientation, notwithstanding prior implementation of discernibility, right? But now comes word — or verbiage, really — from the National Highway Traffic Safety Administration announcing that it (make that read, the taxpayer) is paying a local research institute \$23,008 to come up with a readable letter asking people to return defective cars for repairs.

But when Rep. John Bryant of Texas read about this, he didn't understand at all. "I just don't understand why a federal agency like yours has to find a consultant to write a clear letter. Why can't you write it yourself?" Here, with, enclosed and all that, the reply from an official: "I am not skilled in linguistics."

"Well," said Mr. Bryant, "it's my recommendation that you ought to learn how to

write and read a letter, or find a different line of business."

We called up the agency (no point in writing), and learned that there is yet another obfuscation factor: lawyers. It is attorneys for the auto manufacturers, another NHTSA official says, who actually draft the recall letters (there are 150 to 300 recall campaigns a year, they say). They won't accept something clear and to the point, such as, perhaps, "Bring back your car or die."

Hence the turgid prose and the poor public response, which drew a recommendation from the General Accounting Office for a better letter. But why can't Uncle Sam read and write? Is there no one in all of government who can take up a little draft, so the NHTSA wouldn't have to send out for help? At \$23,008 a letter on the private market, it won't be too long before we're all at a loss for words.

—THE WASHINGTON POST.

Other Opinion

A Quality of Endlessness

Given that there is a majority within Ireland for a united Ireland, that the overwhelming majority of British people want to withdraw from Ireland, and that Sinn Féin won a massive majority in favor of independence in the last all-Ireland election of 1918, we should now finally accept the inevitable.

The creation of Northern Ireland was an attempt to reject the demands of Irish men and women for full independence. As a tactic it has failed with terrible results in human misery and loss of life. The [British] government must refuse to be bound by the Unionist veto, announce a planned withdrawal within two years and convene a conference of all northern and southern Irish parties to agree on the constitutional guarantees that the northern Protestants will require.

—Ken Livingstone in The Guardian.

The troubles in Ireland have about them a quality of endlessness. Resolution is ever at hand, never achieved. It is the same with the mirrored American version of the world's bitterest and most enduring quarrel. For the past seven years a struggle to part Irish-Americans from their sentimental attachment to the provisional Irish Republican Army has been waged by the tribal chiefs. The Four Horsemen — former Gov. Hugh Carey of New York, Sens. Daniel Patrick Moynihan and Edward M. Kennedy and House Speaker Thomas P. O'Neill Jr. — began in 1977 to tell their own annual St. Patrick's Day statements that Irish violence is not the answer to English injustice in Ulster. The idea that "provos" were thugs, not the descendants of the martyrs of the Easter Rising immortalized by William Butler Yeats, seemed to be gaining ground. At every opportunity the Horsemen — who were eventually folded into a larger, bipartisan movement, Friends of Ireland — pointed out the horror and futility of terrorism. The group seemed to be making headway. All these hopes went spinning on Feb. 9, when the Ancient Order of Hibernians, organ-

izer of New York's St. Patrick's Day parade, elected as grand marshal 82-year-old Michael Flannery, an IRA man in his youth and a co-founder of the pro-IRA Irish Northern Aid Committee. Nor did ... Peace and harmony are not Irish exports.

—Syndicated columnist Mary McGarry.

A Coup in Guatemala?

For months Guatemala has been trying to better its human rights reputation, claiming to be a "new Guatemala." Four days before the arrival of Pope John Paul II the army ordered a firing squad for six Indians who had been convicted by secret military courts of offenses that under martial law are capital crimes. The pope had asked that the men's lives be spared, but they died at dawn. Why?

Pressed for an answer, the government said the rule of law, regardless of political considerations — as if the men were executed under the rule of law, as if the pope's visit were political.

Gen. Rios Montt is indeed struggling to create a "new Guatemala." But "there are divisions within the government," a Western ambassador said, and "something is going on." When people say that in Central America, they mean the smell of a coup is in the air.

—Dial Torgerson in Los Angeles Times.

Pollution in the East

Anyone who leaves the tourist routes in Eastern Europe cannot fail to see the shocking way nature is being destroyed by ruthless economic exploitation there. Unlike the inhabitants of the Western nations, citizens of the "people's democracies" are defenseless against environmental pollution. Protests, however moderate, are rated as opposition to the economic plan and therefore to the edicts of the party. The official attitude in the East bloc is that environmental protection is a luxury that only rich countries can afford.

—Neue Zürcher Zeitung (Zurich).

Abide the Diversity of Latter-Day Nonalignment

By Flora Lewis

NEW DELHI — Contrast between the seventh nonaligned summit meeting here and the first, held in Belgrade in 1961, is a better measure of the way the world has evolved than U.S. Defense Secretary Caspar Weinberger's estimate of the power balance.

Belgrade was an extraordinary display of larger-than-life characters, one of history's spectacles. In addition to the founders, Josip Broz Tito, Egypt's Nasser, India's Nehru, there were Indonesia's Sukarno, Cyprus's Archbishop Makarios, Ethiopia's Emperor Haile Selassie, Ghana's Nkrumah. Most of the 25 leaders attending wore symbolic costumes to assert national identity and reject Western homogenization.

The one survivor, Cuba's Fidel Castro, stayed away and sent his foreign minister as observer, presumably because he wasn't ready so soon after his revolution to line up openly against the United States.

There was little question then that non-alignment, ostensibly opposed both to Soviet and Western influence, saw in the United States the major threat of world domination. That was the generation of decolonization and "liberation" wars.

Secretary of State John Foster Dulles had proclaimed neutrality between East and West

"immoral." Nehru, for one, implicitly agreed and said nonalignment must not be passively neutral but actively opposed to imperialism, intervention, war and the nuclear menace.

He and the others provided a clever definition when the Soviet leader, Nikita Khrushchev, exploded a 30-megaton atom bomb in the atmosphere while the conference was taking place. Fifty megatons is 2,500 times the explosive power of the Hiroshima bomb, and radioactive fallout swirled around the globe.

But the blast provoked no echo from the Belgrade assemblage, only an embarrassed silence. Nehru didn't peep.

Now his daughter, Indira Gandhi, heads the movement. There are 101 members. Soviet invasion of Afghanistan and Soviet-supported occupation of Cambodia by Vietnam are major, bitterly argued issues. Indian diplomats say a group of about 20 they call "radicals" regularly takes a pro-Soviet line.

But they are only a fifth of the membership, not the most influential, and can only sway, but cannot impose views on, resolution by consensus. Although he still blames the United States for everything wrong in the world, Mr. Castro has stopped trying to sell

the Russians as the "natural ally" of the non-aligned. In fact, one reason for the new trend to moderation is the resentment he provoked by his hard-fisted attempt to capture the movement for Moscow at the Havana summit conference in 1979.

Other reasons go deeper. Soviet-style communism no longer appeals, even to revolutionaries, whether or not regimes seek Moscow's support against their neighbors. As an Indian critic noted, except for Korea, Vietnam and Afghanistan, the many wars since 1945 have been between Third World countries with deep-rooted feuds and ambitions.

Colonialism has passed into history, although feudalism remains a major problem. The new generation of leaders may still use the old slogans for platform purposes. Their real troubles now are age-old everyday worries of how people make a living.

To make headway, the South needs the industrial North. Recognition has spread that what Indians call the "nuclear and demand" approach does not get far, and less than ever at a time of world recession. Guilt money has dried up. The winning argument that produces billions in credits is mutual benefit, which

requires a show of being willing and able to use capital productively.

Even the dream of bludgeoning concessions from industrial haves with raw-material weapons" wielded in cartels, inspired by OPEC, has evaporated. The collapse of the oil market showed that even if the customer isn't always right, no seller can thrive without him. Third World states does not make competitors any less cutthroat.

The world is at least as full of grievances as a generation ago, but they are more diffuse. Rhetoric is losing its power to the tyranny of facts, one reason individuals no longer seem to tower as they did at Belgrade and before.

The Nonaligned Movement persists despite its crosscurrents because most of the world still feels threatened by superpower rivalry. But it reflects above all the decay of structure. For all the globe-shrinking effect of modern technology, this is the age of diversification, that is, the age of diversity. That is harder to deal with than the arbitrariness of military hardware, or the demagoguery of media soundbites and good intentions about everywhere. But the United States, with its pluralistic tradition, is suited to cope if it can see the diversity as more of an opportunity than a threat.

The New York Times.

Overspending Is Bad Defense

By McGeorge Bundy, Robert McNamara, Cyrus Vance and Elmo Zumwalt

WASHINGTON — We believe the defense budget proposed by President Ronald Reagan for fiscal year 1984 to 1988 can be reduced substantially without endangering America's security.

At the outset, we wish to emphasize our view that the economic foundations of national security, which are every bit as important as the defense component, have been undermined. The United States faces an economic problem of immense proportions, the solution to which has not yet been put in place. Not only has it been favoring consumption

over investment by a wide margin, it has lost its competitive edge in world markets, and real interest rates are at such high levels as to make any rapid and sustained reduction in unemployment very unlikely.

The chairman of the president's Council of Economic Advisors, Martin S. Feldstein, has said that sustained high rates of economic growth cannot be assured until the rates of interest on long-term loans are brought down to more reasonable levels, and this cannot be accomplished until the huge federal deficits currently projected for the "outer years" (the "full-employment deficit") are drastically reduced.

To accomplish that, the United States requires a program combining increases in federal revenues and decreases in expenditures (beyond those proposed in the president's budget) of between \$150 billion and \$175 billion per annum, in the "outer years" of the budget period.

In advocating this unpleasant medicine, we oppose any action that might risk the future security of America and its allies. We share the president's view that the first duty of government is defense.

We support the system of collective security developed during the past 38 years, and America's leading role in it. We recognize that the Soviet Union, whatever the motives of its leaders, has been investing large and increasing resources in its armed forces. We do not question the need for America and its NATO allies to continue to expand their own contributions to the common defense, as much as we hope that these trends on both sides can be changed, especially through balanced and verifiable arms control agreements.

What is more, we are confident that, whatever our economic problems, the United States can afford and will do whatever is necessary for its own and collective security. We do not doubt that in a dangerous world, in which, at best, safety is relative, there are risks in doing too little for defense. But we also recognize that there are now grave risks in doing too much.

It would be folly for the United States to underfund its defense needs, but it would be equally reckless to employ those resources indiscriminately for defense, especially when there are other vital uses for them and when America has no interest in spinning the arms race.

Admittedly, the line between the two is difficult to walk: even defining it is an imperfect act. We are nonetheless convinced that America has strayed far from the line and in the direction of doing too much rather

than too little. Not only can we have equal security for a smaller investment, but by a judicious re-allocation of resources we can also hedge against the less probable danger of the future and still reduce defense outlays in the years ahead.

The objectives of equal or greater security and reduced rates of increase in the defense budget are not as contradictory as they sound.

There are three ways in which the present defense budget and, more important, the latest five-year defense plan are committing large resources that will bring little or no return for the United States and its allies: first, by setting unrealistic objectives; second, by unneeded duplication of programs; third, by overloading the whole military system — from development through procurement to deployment — with large numbers of new programs compressed into a single tight time frame.

We could, for example, save \$18.3 billion in pay by holding the numbers of personnel at current levels, \$14.9 billion by not producing the MX missile and \$31.9 billion by canceling the B-1 bomber.

Other major savings could be realized by ending production of certain kinds of jet fighters, cutting back drastically on the ambitious plans to upgrade the Navy, including two nuclear carriers authorized last year and a third proposed for 1988, and by stretching out a variety of programs.

In total, for the five-year period of fiscal years 1984 to 1988, the increase in cash outlays for defense can be cut \$136 billion below the level proposed by the administration.

After such a reduction, the rate of increase in cash outlays, over the five-year period, would still amount to approximately 3 percent per annum in real terms, which is as high as it has ever been except in times of open conflict. We believe that it represents a level of effort that can achieve and maintain durable strength with durable public support.

If Congress is unwilling to take the action required to achieve a defense program as strong as that proposed by the administration but at substantially lower cost, then the achievement of a sound national economy, which we must have as a foundation for our security, will necessitate additional distasteful measures in other areas. Taxes, which in any event must be raised to reduce the fiscal deficit in the "outer years," must be increased still further. In effect, the tax rise must be increased by the amount by which the administration's defense budget exceeds the budget we proposed.

The New York Times.

Cheap Oil Could Be Expensive

By Anthony Sampson

LONDON — Dare a European suggest that Americans are fooling themselves in their current enthusiasm for cheap oil and the destruction of the oil cartel? Such a popular crusade is hard to oppose. Surely anything that damages oil companies and banks, not to mention cartels, can't be bad. Why should we worry about oil prices falling when we're worried so much about them going up?

Yet the notion that cheaper oil must be good can become a dangerous oversimplification. And it is not only banks and oil companies that would suffer from a further reduction. In the last decade oil has become, in effect, the world's chief currency, on which all kinds of other currencies, trades and balances of power depend. And there can be no possible assurance that the oil price, having come down, would stay down.

The greatest danger of all is that oil would first fall rapidly, bankrupting several oil-producing countries like Mexico, Venezuela and Nigeria on the way down, and then shoot up again, bankrupting several oil-consuming countries, like Brazil, South Korea or India on the way up.

It was its instability that was the cause of oil from the beginning, as it crashed out and then subsided in one territory after another, creating huge expectations and then shattering them. There was always either a glut or a shortage, which was what brought oil so rapidly under the control of monopolies and cartels, which could always threaten to bring back a glut. John D. Rockefeller knew very well how to defeat his rivals: He would simply flood the world with cheap oil, ruin his competitors and then put the price up again.

There is no evidence to suggest that oil has changed its basic habit since those early days. In spite of all the extra incidents from the higher oil price, there is still no sign of a satisfactory alternative source of energy. The world economy floats on oil more perilously than ever.

The present glut is largely the result of the world recession that the high oil price helped to induce; but an economic recovery, coupled with one of the oil-producing countries put out of action, would transform the glut into a new shortage.

For many countries, the consequences of cheap oil — with no likelihood of it staying cheap — could be thoroughly demoralizing, for it would undermine all kinds of investment, from oil exploration to nuclear power plants. Saudi Arabia and Kuwait would obviously have to make drastic cutbacks in their own plans, including Western investment and aid to their neighbors.

Even Brazilians, while their huge bills for imported oil would go down, are worried that cheap oil would undercut all their expensive investments in alternative energy.

So there is now, I believe, a real case for trying to stabilize the oil price — not by supporting the narrow OPEC cartel, but through a much wider agreement involving consumer countries as well as producers. The oil control of the oil companies, which was able to regulate the oil price during the '60s, is now ineffective and, anyway, politically intolerable. In fact, the Seven Sisters have taken the lead in bidding oil prices up and down, up and down, upward in 1979, downward in 1983. Only a much broader base of control, including governments on both sides, could permit long-term stability.

There have been attempts before — in 1974 and 1975 when the West wanted to stop the price from leaping up again and OPEC would discuss oil only with reference to other commodities. But OPEC is naturally much more interested in stabilizing the price when it is coming down, and as the price falls, many consumer countries may become interested in stopping it from going up again.

It will not be easy, but it would be tragic not to try to stabilize prices when there is such a unique opportunity — before the rich countries increase their demand, and while OPEC is disorganized and desperate for agreement. It would be foolhardy to allow hostility to OPEC and the oil companies to prevent the realization that some kind of control is essential to prevent oil from again causing economic chaos in the world.

The writer is author of "The Seven Sisters." He contributed this column to The Washington Post.



Military Spending Gap? Not by This Accounting

By Franklyn D. Holzman

MEDFORD, Massachusetts — Like the supposed bomber gap of the 1950s and missile gap of the 1960s, the American-Soviet military-spending gap turns out to be more fiction than fact.

In his first State of the Union address, in 1981, President Ronald Reagan called for an increase in military spending because, he said, in the preceding decade the Soviet Union had outspent America by hundreds of billions of dollars. The Central Intelligence Agency's last official estimate of the military-spending gap was \$420 billion, for 1971 to 1980.

Here are three reasons why the size of that gap is seriously overestimated, resulting in gross misrepresentation of the true state of the arms race.

First, much of the gap results from the fact that to compare Soviet and U.S. military expenditures, Washington values Moscow's expenditures in dollar prices. Relatively speaking, wages are much higher in America than in the Soviet Union, whereas machinery and equipment, especially high-tech weapons, are many times more expensive in the Soviet Union. Thus, dollar prices cause an overstatement of Soviet defense activities relative to those of the United States.

In CIA estimates the Soviet Union's \$3-billion main tank is valued at American pay-and-uptake scales that average about \$20,000 a person. The exaggeration here was highlighted by an unofficial CIA valuation in dollars of China's military establishment with its even much larger army. The bizarre result: China's defense expenditures equaled America's.

On the other hand, a comparison in ruble prices would overvalue U.S. spending because low Soviet pay scales would downplay the much larger Soviet Army, whereas American high-tech hardware would be exaggerated in ruble prices.

Statisticians faced with divergent valuations of this sort take averages of the ruble and dollar comparisons; the CIA does so in its comparisons of nonmilitary spending. Applying this procedure to U.S. and Soviet military spending would reduce the 1971-1980 gap by at least \$100 billion.

Second, the major reason why American military expenditures exceeded the Soviet Union's before 1972 was that so much spending was directed not at the Soviet Union but at Vietnam. The Pentagon subtracts this spending from the U.S. total in its American-Soviet comparisons.

Correspondingly, a proper evaluation of the Soviet threat should account for the fact that at least since 1970 about 20 percent of Soviet defense expenditures have supported nearly a million-man army on the China-Soviet border, according to CIA and Defense Department estimates. Those troops are not a threat to the United States, and the outlays to support them are not available to build tanks, planes and missiles to be used against America. Subtracting most of these expenditures from the CIA's estimate of Soviet defense expenditures reduces them by \$250 billion more.

Third, CIA concentration on the comparison of American and Soviet military spending neglects the fact that the NATO allies outspend the Soviet Union's East European allies by more than 5-to-1. This difference has been so large that the gap of \$420 billion in Moscow's favor becomes converted to a total East-West gap of about \$300 billion in the West's favor, according to the Pentagon, despite the fact that measurement in dollars exaggerates Eastern defense spending. Correcting for this dollar exaggeration and factoring out Soviet expenditures on China increases the West's spending advantage in the past decade to at least \$600 billion.

The implication for those who believe that the Soviet bloc is catching up in military power is that, if it is, its gains cannot be attributed to greater military expenditures. Either the bloc is not catching up as rapidly as some contend, or, if it is, America's and the rest of NATO's huge expenditures are being squandered.

The writer is professor of economics at Tufts University and a fellow at the Russian Research Center at Harvard University. He contributed this column to The New York Times.

LETTERS TO THE EDITOR

Myths and Follies

Regarding "Seven Myths That Are Muddying the Debate on Missiles" (HT, Feb. 25) by Gregory Flynn:

Mr. Flynn's argument is based mainly on the two principles of deterrence and mutual assured destruction.

As for deterrence, whatever its alleged merits, it will surely lose its function if the threats on which it is based are more dangerous to us than to a potential enemy. The Soviet Union may have a slim chance to survive a nuclear first strike; West Germany's fate in such a contingency would be virtually certain extinction. It must be doubted if the Soviet Union will be much moved by the threat of our national suicide. Small wonder then that people are losing confidence in this kind of "deterrence."

Dual capacity means armament of the same quantity and quality as that of the potential foe: If the Russians have 300 land-based missiles the West requires a corresponding amount of them. That this argument is seriously flawed, at least with regard to land-based missiles, becomes immediately clear if we consider the question of collateral costs in case of enemy attack. It is obvious that these would be much higher in Western Europe with its densely populated areas. If we wanted to match Russian deployment of land-based missiles we would first have to match the geographic size of the Soviet Union.

Thus, the Western answer to Russian land-deployed medium-range missiles was nuclear submarines. A number have been assigned to

NATO in Europe, and these missiles

are a match for their Russian counterparts in anything but accuracy: The U.S. missiles are about 10 times more accurate than the SS-20.

To these forces can be added those of France and Britain. If that leaves a missile gap it is certainly not for us but for the Soviets.

The problem, clearly, is not too few but too many missiles. The peace movement, however, will not stop at mere reduction of the nuclear arsenal or a simple return to "mutually assured destruction." It fundamentally opposes a policy that entails the risk of a global nuclear holocaust.

There can be no justification what-so-ever for exposing mankind, or any part of it, to the risk of annihilation. Any policy that only remotely implies that is inhuman, and immoral in the highest possible degree.

ARNO WIMMER, Frankfurt.

Barbie's Difference

Regarding "The Moral Difference" (Letters, Feb. 24) from J.B. Whitbeck:

I am not an Ariel Sharon supporter. I do not like his heavy-handed style and public outbursts. But when he was put in front of a commission of inquiry it never came up with acts of savagery, sadistic brutality or any other form of Nazi-like brutality such as became common knowledge from 1945 onward. What Mr. Sharon was blamed for was negligence through contempt. That is a far cry from Klaus Barbie's public record. I respect Mr. Whitbeck's values. I

too, have high respect for human dignity.

Mr. Sharon is not the first name that comes to my mind when I think of this particular subject. But I will add that I am shocked by Mr. Whitbeck's linking Mr. Sharon to Barbie, the latter being a proved sadist, with names at hand. May I also remind Mr. Whitbeck that Ariel Sharon is a direct consequence of the Klags Barbits of this world.

ELI ALLON, Peish Tiqua, Israel.

Tears for Nkomo?

Regarding the report (HT, March 10) of Joshua Nkomo's flight:

No one who knows a little about the history of Zimbabwe's struggle for freedom and non-racial democracy would shed tears over the present plight of Joshua Nkomo. The divisions inside Zimbabwe are the fruit of his past equivocations and maneuvering for power, including futile, disloyal deals with the KGB and some multinational companies in a pathetic bid to become the George Washington of his country. His flight to Botswana and the clear links of his followers with racist South Africa prove him rather to be a Benedict Arnold and just as doomed to failure.

Prime Minister Robert Mugabe is not a tribalist. He deserves much more international support to achieve his repeatedly proclaimed objective of national reconciliation of all of Zimbabwe's people — black and white, Shona and Ndebele.

RICHARD GIBSON, Brussels.

FROM OUR MARCH 12 PAGES, 75 AND 50 YEARS AGO

1908: One Way to Go to Jail

PARIS — Sleeping in a police station is novel enough, but there are few who take it up as a pastime. One of the few is a man who informed the police at the Opera station that unless he was admitted he would transform himself into a boulevardier wearing a costume more meagre than that of a Holtenot on a sultry day. The official at the desk considered this as a joke, and as the man seemed sober and well-dressed he shrugged his shoulders and allowed him to vanish into the night. A few minutes later he was throwing his clothing over the railing around the Opera. His desire to sleep in a police station was soon gratified, although it was the infirmary instead of a cell.

1933: Terror in California

LOS ANGELES — This stricken area, still terrified by occasional tremors, continued to count its dead from the violent series of earthquakes which [yesterday] crumpled Long Beach and severely damaged the surrounding area. Indications were that the number of people who perished would reach more than 200. Long Beach, which is virtually in ruins, with the number of homeless families reaching into the thousands, is under martial law, and precaution has been taken to prevent residents from trying to re-enter their homes. Federal agencies under the guidance of President Roosevelt moved speedily to provide relief measures for the 2,000 injured and the homeless.

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10 Years After Floating of Exchange Rates, System Is Rated a Disappointment

(Continued from Page 1)
States since the Reagan administration came into office.

"It is hard to conceive how the variability of such a key price as the exchange rate can avoid having adverse influences on economic decision making," Mr. Lamfalussy said.

"The exchange rate is important, not only for the exchange of goods and services, but also for the evaluation of assets and liabilities, claims and debts. Where this absolutely decisive price is subject to very considerable volatility, a climate of uncertainty arises that is bound to have a paralyzing effect on the whole range of decisions taken by businessmen, regardless of whether they relate to investment, production or trade," he said.

Mr. Schmidt's views on the remedies needed today were spelled out in an article published Feb. 26 simultaneously in leading newspapers in Hamburg, London, Milan, Paris and Tokyo.

"It is a mistake to believe that any government can pursue whatever economic policy seems domestically expedient without regard for other countries," he wrote.

"The world's economic interdependence has never been greater than it is this decade. It has never been more necessary to make sure that economic policies complement each other and are internationally compatible."

Elaborating on this theme in his interview from Hamburg, Mr.

Schmidt called for a global effort akin to the vision of the Marshall Plan or the Bretton Woods agreement after World War II, looking beyond national borders to solve common economic problems.

"Countries have only rather recently understood how interdependent they are," Mr. Schmidt said. "One should not blame them for not having understood this much earlier on, but if they don't understand it now, when the situation is grave, then it would be a mistake."

He warned that "if governments do not find the strength to work together, they will inevitably repeat the mistakes of the 1930s."

Mr. Schmidt's views on the urgent need for close coordination of economic policy measures in the major countries drew mixed comments.

For Mr. Giscard d'Estaing, such an approach does not seem practical.

"It's too ambitious. It's not realistic," he said in an interview. "In the United States, the first problem is the budget deficit. Second, related to this, is the problem of military expenditures. It's impossible to imagine that these problems will be treated differently just to suit the need for some coordination."

No," he said laughing, "it's not realistic. Even in Europe, policy is not convergent."

The lack of policy coordination is a fundamental problem, he acknowledged. "But one shouldn't wait for this precondition before



Valéry Giscard d'Estaing, former president of France, left, and Helmut Schmidt, former West German chancellor, helped arrange the 1973 rate accord. Mr. Giscard d'Estaing was finance minister in Paris then and Mr. Schmidt was economics minister in Bonn.

achieving some stability in exchange rates."

He said natural forces are now at work leading to greater stability with the one-huge current-account surplus of the oil exporting states decreasing and with the price of oil declining. "I see a slow readjustment under way," he said.

The enormous international liquidity represented by the Euro-market makes him uneasy, as does the size of the looming U.S. trade and current-account deficits this year. In addition, as U.S. interest rates decline, he believes the hot money that flooded into the United States during 1981-82 will pour out.

As exchange rates adjust to these developments, he believes the market will be moving to an equilibrium point where central banks will be able to maintain the rate with relative ease.

The key factor for Mr. Giscard d'Estaing is whether Washington will agree to undertake an active role in market intervention. If it does, he argues that target zones could be managed between the European Monetary System, the dollar and the yen. The still-to-be answered question is whether the political will exists to stabilize the rates between the three great currency blocs.

"As long as there is no satisfactory coordination, there will be adjustments of rates. But adjustments need not necessarily be very frequent, not necessarily very big. Between them, you can have rather stable conditions with limited intervention. The market's awareness that there is an attitude of joint in-

tervention at the discretion of central banks would itself probably be a factor to reduce fluctuations."

Karl Otto Pöhl, the Bundesbank president, notes that exchange rates vis-à-vis the dollar have stabilized over the past several months as the underlying fundamentals have become more similar.

"There is not much difference in rates of inflation," he said, "and this has led to stabilization of exchange rates. We haven't had that much fluctuation over the last six to eight months as before and we have hardly intervened at all vis-à-vis the dollar during this period."

He agrees that "what we really need is more convergence of economic policies and performance of economies. But the more you aim for stabilization of exchange rates, the more you have to adjust your domestic policies to this target. This is the main problem. Many countries are not ready to do that."

"Everybody is in favor of more stable exchange rates, but this means that you have to accept the consequences — which could be more restrictive monetary and fiscal policy, maybe more unemployment than you would like to accept."

Alluding obliquely to the perennial dispute within the European Community over whether policy should be directed to reducing inflation or increasing growth, Mr. Pöhl said:

"I don't want to criticize what Helmut Schmidt said. He's absolutely right — we need close cooperation in economic and monetary policy. But this is very easy to say. What's much more difficult to say is what the content should be, what the common target should be."

"I think one common target should be keeping inflation rates low, achieving as much growth as

we can and stabilizing exchange rates. But this is partly contradictory. You can't have everything at the same time."

"Frankly, I don't have the impression the United States is prepared to take into account the repercussions of its monetary policy on the exchange rate more than they did in the past."

For him, the best solution is: "Everyone should in the first place try to put his own house in order. This would be a very good precondition for more stable exchange rates."

"If U.S. inflation could be held at current levels, and if Japan, Britain and West Germany have more or less the same rate of inflation, if interest rates are more or less moving in the same direction, the result would be more stable exchange rates."

On intervention, Mr. Pöhl said that "it has only very limited value."

The report of the group of experts set up at the Versailles summit last year to study intervention "is not very encouraging. It shows that everybody already knows — that intervention can be helpful from time to time, but it's not a remedy for appropriate instruments to correct instabilities and disequilibria. It's something which one should use from time to time. But you can't use intervention to change the fundamentals."

Michel Camdessus, head of the French Treasury, agrees that official intervention can never correct distortions arising from discordant economic policies.

"But stabilization of the exchange rate can be achieved if governments become better able to coordinate economic policy. The moment there is a true convergence of policy — and that does not necessarily mean that we all do the same thing — the markets will do much less overshooting and with a little intervention at the right moment the markets can be stabilized."

"Saying that today, I know very well that I must give the impression of being a naive utopian" because even within the European Community governments have never agreed on what economic targets should have priority. But even on that topic progress has been made,

he said, with France putting more emphasis on fighting inflation than might have otherwise been the case if it had not been a member of the community.

"We think we can improve the convergence of policy within Europe. We've made progress," he said.

And he predicts that progress will be made. The senior treasury officials comprising the Versailles study group "hope to have drawn policy-oriented conclusions from their study" and present these to finance ministers when they are scheduled to meet in April at the International Monetary Fund in Washington.

"We've learned that ideas which might otherwise appear to be theoretical or untimely are much less so

today. Where we go with this is a matter for negotiation."

"What I can say is that there is no longer the same intellectual blockage, the same systematic refusal as two years ago to consider the foreign exchange market as meriting our attention. The United States has changed its view, and in this joint study the different points of view have converged and we better understand each other."

"This is only the beginning of our work. There are many other subjects which must be addressed simultaneously — in particular the international debt problem, the problem of strengthening the international financial system — so that other factors of instability don't replace the formidable problem of disorderly exchange rates."

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Undervaluation of Yen Confounds the Experts

PARIS — The yen, more than any other currency, has confounded government experts.

Repeated charges that the exchange rate was being manipulated by the Japanese authorities have been examined but no proof has ever been turned up.

"If you look at the world situation without preconceptions you have got to ask yourself if a yen undervalued by 20 percent isn't as much of a protectionist measure as an outright subsidy of 20 percent to Japanese exporters," said Michel Camdessus, the head of the French Treasury.

"If you say that a subsidy is voluntary and the undervaluation of a currency isn't, I agree. I'm not making any charges against the Japanese government. But what I do say is that the perverse effect on international trade is just as serious."

"You'll never find evidence of exchange rate manipulation," said Arnold P. Simkin, a London based economist for Merrill Lynch. "What Western central bankers will not accept is that the yen is a broad market on a narrow base of participants. There are relatively few institutions that trade yen, probably 100 organizations account for three-quarters of the market. They are influenced, not controlled, but call it the power of positive suggestion."

"The rate gets out of hand from time to time, there is a speculative element," Mr. Simkin said. "Certainly no one in Tokyo seriously wanted a rate of 278 yen to the dollar. But that's not to say someone or some group in Tokyo did not start out wanting the yen to be considerably weaker than it was when it peaked out at the other side at 177 yen."

"When the United States went into a double-dip recession they had the choice of running a tight fiscal policy and an easy money policy, or a tight money policy and an easy fiscal policy. They chose Number 1 and that meant a weak yen. They knew what the consequences were. I believe the yen has been an active consideration in the formulation of Japanese economic policy rather than a passive one," he said.

Landing by Argentines Reported

LONDON — Prime Minister Margaret Thatcher said Friday that Argentine forces landed last year on the uninhabited British island of South Thule, 1,300 miles (2,080 kilometers) southeast of the Falkland Islands.

"It must have been an Argentine ship calling there to put their flag up," she said, confirming Defense Ministry reports. British forces in the Falklands "are on the alert the whole time," Mrs. Thatcher said. She was speaking while on a tour

of the port of Felixstowe, in east-ern England.

A Defense Ministry spokesman said Thursday night that the landing had been discovered on Dec. 19 when a British ship visited South Thule, which is part of the South Sandwich Islands. He said the Argentines had ripped down the British flag and raised the Argentine flag. Britain replaced the flag and destroyed all but one of the shelters that might be used by Argentine commandos there, he said.

"We are not inclined to treat this

incident as a serious indication of Argentina attempting to re-establish a presence on the dependencies," said the spokesman, who declined to be named.

Thule was the last British outpost in the South Atlantic to be formally retaken from Argentina in the war over the Falklands last spring. Argentina had been manning a scientific station on South Thule before the conflict started on April 2, when Argentina invaded the Falklands.

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ARTS / LEISURE

Rotterdam Museum Shows David Salle

By Jules B. Farber
International Herald Tribune

ROTTERDAM — "I don't tell a story. I believe my work is very psychologically loaded. My paintings always have something of story-telling but not, for instance, like Max Beckmann, who told philosophical stories."

So says David Salle, 30, whose current exhibition in Rotterdam's Boijmans-van Beuningen Museum confirms the artist's ascent in the international art world alongside young peers like Julian Schnabel, Susan Rothenberg, Neil Jenney and Jonathan Borofsky.

"I don't explain," he continues. "You can have your own ideas, make up your own stories. I don't care if the paint is thick or thin, everything must be open. I'm now doing wood sculpture with paint. I did a painting with a chair sticking out. It doesn't interest me if you see Schnabel in my work — how he does it is completely different. Sometimes he uses the same faces but the result is always different. Julian is one of my few friends. I'm not so social. He belongs to the small group."

In 1975, Salle, who was born in Oklahoma and brought up in Kansas, received a master's degree in fine arts from the California Institute of the Arts, had his first exhibition in Los Angeles and moved to Manhattan. He was then into conceptual environments using photographic images, words and music. His experiments with video and performances led to invitations for installations from the Corps de Garde Foundation in Groningen, the Netherlands, Amsterdam's Foundation de Appel and other avant-garde spaces. Slowly his work turned to drawing and painting.

Two other kinds of landscape in this immensely pleasurable show, chosen for the Arts Council by Dr. Frances Spalding of Sheffield Polytechnic and Ian Jeffrey of Goldsmiths' College School of Art, London, remain to be considered.

Among the wholly eccentric and surreal, are two beautiful surreal images — "Heavenly Sleep," a blindfolded woman in a nightgown, and "The Breeze at Morn" in a stylized Welsh landscape, by Thomas Lowinsky (1892-1947).

The other group is of what one may term artistic surprises. Sir John Everett Millais (1829-1896), a Victorian painter of children and animals, is here represented by "Chill October," a marvellously evocative picture of a withering at the lake's edge and a few storm-battered crows in the lowering sky. Sir Lawrence Alma-Tadema (1836-1912), usually the painter of florid exotic reconstructions of Classical Greek and Roman domesticity, in "94 Degrees in the Shade" shows young Herbert Thompson engrossed in his book, lying in the hedgerow's shade at the edge of a Surrey harvest field. Sir Edward Burne-Jones (1833-98) most mediocrally oriented of the Pre-Raphaelites, contributes a stunning pastel sketch of a Edward Munch of a telegraph-pole-lined "Road near Rotterdam."

"Landscape in Britain 1950-1950," Hayward Gallery, South Bank, London SE1, to April 17; Bristol City Museum and Art Gallery, April 30-June 4; Stoke-on-Trent City Museum and Art Gallery, June 11-July 16; Mappin Art Gallery, Weston Park, July 23-Aug. 28.

"His appointment as ambassador was a master stroke by President Mitterrand," Rohatyn said.

"V-P knows American business, knows how we think and knows how concerned we were by a Socialist government in France." According to both the French and American press, Vernier-Palliez was appointed ambassador as a way of reassuring Americans about the Mitterrand nationalization program. Renault had been state-owned since World War II, but Vernier-Palliez ran it as aggressively as any private company. "As an executive, V-P was absolutely first rate," Rohatyn said.

Many diplomats talk about the economy, but Vernier-Palliez is unusual in regularly inviting key players to dinner. Every two months, about a dozen major American figures — from both inside and outside the government — come to the ambassador's residence to draw a portrait of economic trends for their French hosts.

Although Vernier-Palliez formally presented his credentials to the president in February 1982, modern-day ambassadors rarely operate at this rarified level. Asked in early December, for example, how many times he had conferred face-to-face with Secretary of State Shultz, Vernier-Palliez ticked off their four meetings on the fingers of his right hand. (However, he also sat in on a number of sessions in Paris with Shultz, Mitterrand and French Foreign Minister Claude Cheysson in mid-December.)

The French ambassador's closest ties are with Eagleburger. "With Larry, we get along very well together. We're very direct, both of us," the mutual respect that unites the two men represents the strongest day-to-day link between the two sometimes-fractious allies.

Even in this age of instantaneous global communications, an ambassador like Vernier-Palliez can have broad authority to negotiate diplomatic agreements. A prime example was the French decision to join in the second peacekeeping force sent to Lebanon after the mid-September massacre in the refugee camps outside of Beirut. The United States took the lead, but French and Italian participation was considered vital.

Shultz and Cheysson had talked by telephone about a second peacekeeping force after the assassination of Lebanese President-elect Bashir Gemayel. But a few days later, after the massacre, French negotiating responsibility rested with Vernier-Palliez here in Washington. The ambassador was summoned to the State Department on Sunday, Sept. 19, to meet with Shultz.

"We started discussing the formation of a second multinational force," Vernier-Palliez recalled. "The next day Vernier-Palliez endured an arduous round of negotiations with Eagleburger and Assistant Secretary of State Nicholas Velotes. (The Italians were in the background.) "We had to agree on a package that we could sell to our superiors," the ambassador explained. It worked.

By late that afternoon the new peacekeeping force was a reality. For his part, Vernier-Palliez claims to be comfortable with the reality that a modern ambassador is an interpreter and an intermediary, not a policy-maker. "When I had decided to retire from Renault," he said in January, "I had decided not to make any more big decisions. There are some who need decision-making like a drug and can't live without it. I've made decisions for a long time in my life. I don't need it anymore."

But there are other moments when one can hear a wistfulness in his voice as he talks about the differences between building cars and building bridges between nations. "In business you make decisions that will affect thousands of people, and in a short time you show the results — for good or bad — on the last line of the balance sheet. But an ambassador doesn't make decisions like that. There are so many external events, so many other players, that it's hard to know who's responsible for what."

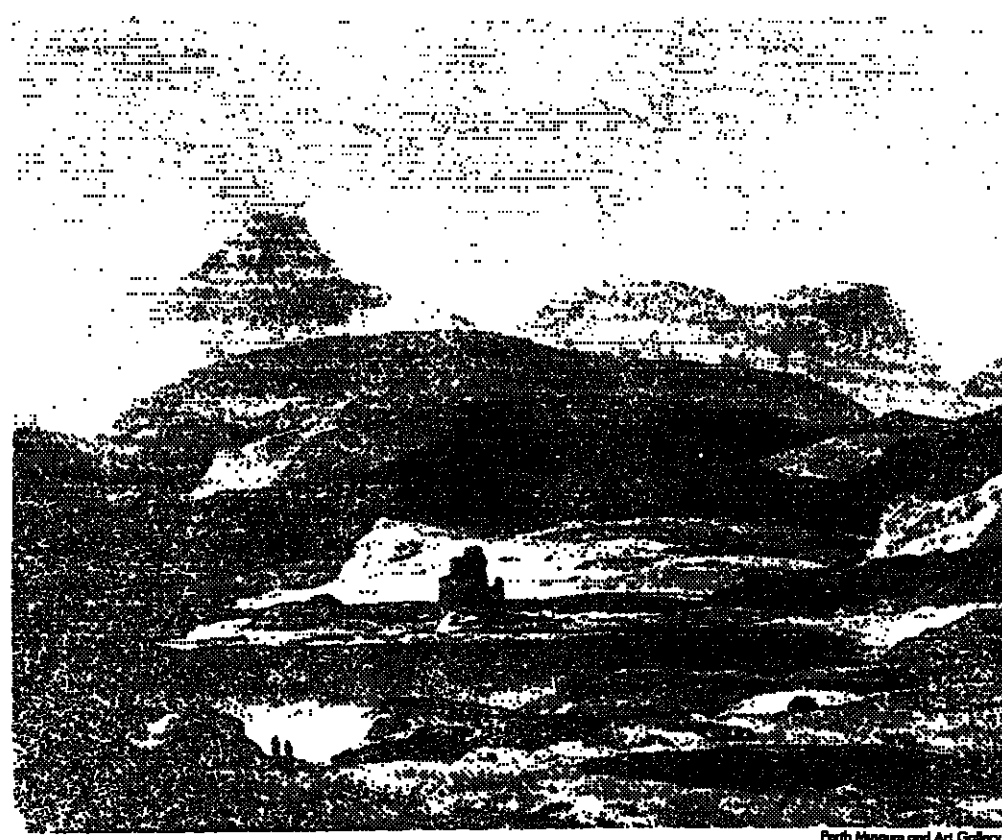
Blow to Third? OPEC sources would become disappointed with its share of the market. OPEC's weakness has been a blow to its oil cartel had filled many of the same day they too could estimate oil prices that they oppose to OPEC declines, the power of the oil remains to be seen with economic and other Western countries may gain bargaining power in relationship to oil.

The New York Times CURRENCY Exchange rates for March 11, with U.S. dollar as base 100. Amounts needed to buy foreign currencies.

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Money Rates

Money Rates



David Young Cameron's "The Wilds of Assynt," painted about 1936.

The British Talent for Landscape

By Max Wykes-Joyce
International Herald Tribune

LONDON — Anyone who seeks to know why Britons are such eccentrics would do well to take a long look at an exhibition of 266 drawings and paintings, with a few prints and photographs, portraying "Landscape in Britain 1850-1950," at the Hayward Gallery. In the British Isles, an area only marginally greater than the state of Arizona, and considerably smaller than Montana or California, the varieties of landscape are virtually infinite.

British artists have never side-stepped the vagaries of the climate. Indeed a good few, following in Turner's footsteps, seem to have welcomed its dramatic qualities — fine examples in this show being Henry Clarence White's "Harlech Castle — Four-square to All the Winds That Blow," and "Breaking Wave" by Joan Eardley (1921-63), English by birth, Glaswegian by adoption, who in the last seven years of her short life bought a cottage-studio in the fishing village of Catterline on the northeast coast of Scotland, to which she hurried from the city whenever an oncoming storm was predicted.

Of course, the lyrical aspects of the British landscape are frequently touched on. Typical of these is "George Herbert at Bemerton" (1860) by William Dyce (1806-64). George Herbert (1833-33) was a brilliant scholar who gave up the life of a royal courier to become a country parson in the rural parish of Bemerton in Wiltshire. Dyce has portrayed this congenial personage walking beneath the riverside trees composing his simple poetic prayers.

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David Salle: "My work is very psychologically loaded."

Powerful Aphrodisiac," provide no clues to content.

Salle is short, wiry, with a sharply chiseled nose and curly black hair. He dresses in baggy pants, dark sports shirts and tweed jackets ornamented with a silver fishbone pin.

Has success spoiled Salle? "Success in art? I don't know what it is. In business it's easier to define. My work has a 'public.' Some people hate it. My 'public' consists of people, not only of my generation, who like it for different reasons. Am I young? Jasper Johns was 25 when he first exhibited. Frank Stella was 23. Thus I feel myself old. It doesn't matter what age you break through as long as you assure that your work is regularly seen. If not, you're a bad artist. Every attention is better than none. The great demand for my work does not change its character. If your position in the world changes, your work changes

since that's a mirror of the world. My latest work is much more difficult, complicated, than what I did some years ago. Don't forget that in the past many 'big' things were made when there was pressure on the makers. Dostoyevsky wrote his best novels under fear of approaching bankruptcy. Sometimes a deadline is good but I don't feel that pressure yet."

Does Salle consider himself a New York painter? "The world around you in New York has little influence. The world is in your head. Julian uses imagery from European painting sources. Mine is more vernacular but not exclusively American. I don't think about making American art. Other generations might have thought about it and purged their work with European influences. I'm concerned about how a painting should function. If American art means directness, my work doesn't fulfill that

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With or Without OPEC
Oil Price Likely to Rise

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SATURDAY-SUNDAY, MARCH 12-13, 1983

ECONOMIC SCENE

By LEONARD SILK

With or Without OPEC Accord, Oil Price Likely to Keep Falling

NEW YORK — No matter what the immediate outcome of the turbulent London meeting of the Organization of Petroleum Exporting Countries, we have been watching a highly contentious and failing cartel. It now looks as though some sort of face-saving agreement will be put together to cut the price of OPEC's benchmark crude oil by \$5 a barrel, to \$29, and to assign quotas to member countries to limit total OPEC production to 17.5 million barrels a day. But OPEC cannot police such an agreement and it seems likely that the price of oil will continue to decline.

The story of the rise and fall of OPEC is starkly illustrated in what has been happening to oil prices and to shifting supply and demand in the world market.

The falling oil cartel, like virtually every cartel before it, committed the blunder of setting its monopoly price too high. This simultaneously called forth vast supplies from outside producers that the cartel could not control, and eventually induced conservation by consumers.

Before OPEC began to double and triple its oil prices in October 1973, following the Arab-Israeli war, oil consumption in the noncommunist industrial nations had been growing 2.5 percent a year faster than real national product. From 1973 through 1978, in response to climbing oil prices, oil consumption per unit of output fell 19 percent a year. Since 1979, following the second oil shock and the world economic slump, oil consumption per unit of GNP has been falling 6.5 percent a year.

The noncommunist world market has shrunk from 52 million barrels a day to about 44 million, and non-OPEC countries have taken away a growing slice of OPEC's business. In 1977 OPEC's share of the market was 63.4 percent; by last year it had been cut to 44.2 percent. In an attempt to strengthen prices, Saudi Arabia, the leader of the cartel, cut its production from 9.7 million barrels a day in the spring of 1980 to about five million in late 1982, but this was not enough to sustain prices.

Nigeria, faced with the loss of the bulk of its export market, became the first OPEC country to break ranks openly when it cut its price for high-quality Bonny light by \$5.50, to \$30, from \$35.50, as aggressive under the late Shah, and equally hostile toward Saudi Arabia, raised its production from 1.8 million barrels a day in the spring of 1980 to 2.6 million in November. While demanding that other OPEC members hold prices up and cut production, Iran sold all it could produce at whatever prices the market would bear.

Surpluses Cut Drastically

The decline in oil prices in real terms, together with the shrinkage in OPEC's share of the market, has drastically cut trade and payments surpluses among the 13 members. The combined current account surplus of the OPEC nations fell from \$110 billion in 1980 to between \$15 billion and \$25 billion last year, OPEC sources say. Thus, some OPEC members are already running deficits.

Worse may be ahead. Cheating on prices and production quotas seems highly probable. Militant states such as Iran, Iraq, Libya and Algeria, and poor, populous countries such as Nigeria and Indonesia, will strive to sell as much oil as they can to cover their import needs and foreign debts. So will such non-OPEC oil suppliers as Mexico and the Soviet Union.

Because there remains a huge margin between current market prices, ranging from \$26 to \$30 a barrel, and production costs in the Middle East, ranging from \$2 to \$3, it is difficult to know where the floor is. If the world economy recovers and OPEC members put their collective interests above their individual interests, they may be able to hold the world crude oil price at something close to \$29, although continuing world inflation is likely to bring down the real price even more. Some analysts think the oil price could fall as low as \$17 or \$18 a barrel — roughly equal to the cost of marginal supplies coming from high-cost non-OPEC producers in the North Sea or Alaska.

Blow to Third World

But if prices fell that far, or farther, much of the new production from non-OPEC sources would become unprofitable and would be eliminated. OPEC, with much bigger gross margins, would again be able to expand output and its share of the market.

OPEC's weakness has been a blow to much of the Third World. While OPEC has not been a particularly generous leader of the developing countries, the oil cartel had filled many such countries with pride and hope that some day they too could extract much wealth from the rich industrial countries that they oppose as colonialists.

As OPEC declines, the power of the West is correspondingly enhanced. It remains to be seen what economic and political use the United States and other Western countries can make of their markedly strengthened bargaining power in relationship to the Middle East and the Third World.

The New York Times

CURRENCY RATES

Bank exchange rates for March 11, excluding bank service charges.

Currency	Per \$100 U.S.	Per \$100 U.S.	Per \$100 U.S.	Per \$100 U.S.	Per \$100 U.S.
Australia	2.445	3.78	10.72	2.17	0.1845
Canada	47.18	70.79	10.705	3.795	0.1845
France	2.2925	3.58	10.705	3.795	0.1845
Germany	1.936	3.58	10.705	3.795	0.1845
Italy	1.3655	3.58	10.705	3.795	0.1845
Japan	1.4955	3.58	10.705	3.795	0.1845
Netherlands	1.5015	3.58	10.705	3.795	0.1845
Spain	1.6515	3.58	10.705	3.795	0.1845
Sweden	2.045	3.58	10.705	3.795	0.1845
Switzerland	1.936	3.58	10.705	3.795	0.1845
UK	0.957	3.58	10.705	3.795	0.1845
West Germany	1.936	3.58	10.705	3.795	0.1845

Dollar Values

Currency	Per \$100 U.S.	Per \$100 U.S.	Per \$100 U.S.	Per \$100 U.S.	Per \$100 U.S.
Australia	1.148	1.45	4.84	1.45	0.55
Canada	1.45	1.45	4.84	1.45	0.55
France	0.51	1.45	4.84	1.45	0.55
Germany	0.51	1.45	4.84	1.45	0.55
Italy	0.51	1.45	4.84	1.45	0.55
Japan	0.51	1.45	4.84	1.45	0.55
Netherlands	0.51	1.45	4.84	1.45	0.55
Spain	0.51	1.45	4.84	1.45	0.55
Sweden	0.51	1.45	4.84	1.45	0.55
Switzerland	0.51	1.45	4.84	1.45	0.55
UK	0.51	1.45	4.84	1.45	0.55
West Germany	0.51	1.45	4.84	1.45	0.55

INTEREST RATES

Rate	1-Month	3-Month	6-Month	1-Year	2-Year	3-Year	5-Year	10-Year
1-Month	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
3-Month	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
6-Month	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
1-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
2-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
3-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
5-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
10-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4

Rate	1-Month	3-Month	6-Month	1-Year	2-Year	3-Year	5-Year	10-Year
1-Month	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
3-Month	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
6-Month	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
1-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
2-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
3-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
5-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
10-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4

Rate	1-Month	3-Month	6-Month	1-Year	2-Year	3-Year	5-Year	10-Year
1-Month	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
3-Month	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
6-Month	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
1-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
2-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
3-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
5-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
10-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4

Rate	1-Month	3-Month	6-Month	1-Year	2-Year	3-Year	5-Year	10-Year
1-Month	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
3-Month	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
6-Month	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
1-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
2-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
3-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
5-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4
10-Year	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4	11 1/4



Left, Ken Hayashibara of Hayashibara Biochemical Laboratories, an interloper maker. "To be innovative, to create new things, it helps to not grow too big."



Right, Masaya Nakamura of Namco, a "video-game maker." "I want people who think in unusual ways."

Breaking Japan's Corporate Mold

By Steve Lohr
New York Times Service

TOKYO — Japanese companies seeking new employees typically have one goal in mind: Hiring the graduates of leading national universities. But Masaya Nakamura, president of Namco Ltd., takes an entirely different approach.

In colorful magazine advertisements, Namco, a producer of video games, solicits reformed juvenile delinquents and average students.

"For game designers," Mr. Nakamura explained, "the knowledge acquired in school is not so helpful. I want people who think in unusual ways, whose curiosity runs away with them, fun-loving reprobates."

Hardly a case in point, Toshinori Watanabe, a 36-year-old entrepreneur, holds undergraduate and advanced degrees in electrical engineering from Tokyo University, often described as Japan's Harvard. Yale and Princeton rolled into one. Yet he gave up the security of lifetime employment in a prestigious corporation to start his own computer software company.

"To work in a big corporation with a big bureaucracy did not suit me," Mr. Watanabe said. "To be part of a big company is like being a component in a big machine. It can be boring."

Such practices and attitudes are exceptional in Japan. But in fast-changing high-tech fields, an increasing number of executives are taking new paths and trying new methods in a sharp break with the traditional precepts of the Japanese corporate community.

Many of the innovators are entrepreneurs who head small concerns, but there are large companies experimenting with new management and organizational techniques in part of their business.

The new ways are being employed mostly in the so-called industries of the future, such as computer software and biotechnology, in which Japan is struggling to catch up with the United States. These areas demand individual creativity, which conventional Japanese management seems at times to inhibit.

Much of the impetus for change comes from engineers and scientists frustrated with the traditional Japanese management system, with its emphasis on seniority and hierarchy," said Hiroshi Ebihara, an independent consultant in Tokyo.

Many, like Mr. Watanabe, have started their own companies. And these companies tend to have the same informal, individualistic style of management for which many concerns in California's Silicon Valley are known.

At Mr. Watanabe's company, for example, the 13 programmers can set their own hours

OPEC Ministers Still Divided on Output Quotas

By Bob Hagerty
International Herald Tribune

LONDON — Oil ministers from the Organization of Petroleum Exporting Countries acknowledged Friday that they remained deeply divided in their attempt to carve up the dwindling oil market. They agreed, however, to go on arguing Saturday.

A tentative agreement to cut prices by about \$5 a barrel hinges on whether the ministers can decide on production quotas. After the understanding on prices was reported by some ministers at midweek, hopes rose that OPEC would soon reach an overall agreement in its effort to halt or at least slow the decline in oil prices. On Friday, however, ministers were grim.

"I'm afraid we are still apart, far away from each other, as far as the quota is concerned," said Sheikh Mansur bin Jaber al-Thumali of the United Arab Emirates.

Venezuela's minister, Humberto Calderón Fajardo, called the quota talks "very difficult."

The ministers, most of whom have been haggling in London for eight days, met in small groups Friday. A meeting of all 13 members was scheduled for Saturday.

The quota quarrel is believed to center on the demands made by Saudi Arabia, Iran and Venezuela. The conflict is particularly poisonous because Saudi Arabia is helping finance Iraq, another OPEC member, in its war with Iran.

The Venezuelans insist that they cannot afford a major reduction in their output because of their heavy foreign debt. The country is struggling to win approval from foreign bankers on a rescheduling of \$9 billion in short-term credits.

The tentative pricing accord would bring down the price for OPEC's benchmark crude, Saudi light, to \$29, from the \$34 that has been in effect, though widely ignored, since October 1981. Prices for other OPEC crudes are supposed to be aligned around the benchmark, depending on quality and transport costs.

Big oil producers outside OPEC could throw the pricing plan into disarray. Mexico agreed two weeks ago to hold off on a price cut while OPEC tried to pull itself together. But Mexico may be getting impatient. On Friday, Mr. Calderón Fajardo said that he had been in

touch with the Mexicans and that they might have an announcement soon. He did not say what it would involve. A statement by British Petroleum on Thursday also put OPEC's reported pricing terms in question. Based on quality, BP said, Nigerian crude should cost \$22.50 to \$25.00 a barrel more than Saudi light. Under the reported OPEC formula, however, the difference is expected to be about \$1.

The Nigerians, who slashed their price last month to 50 cents below that of Britain's key North Sea crudes, are determined to stay competitive. Some oil traders, however, say North Sea crude should cost about 75 cents less than Nigerian oil. Thus, Britain will be under heavy pressure to cut its prices further should an OPEC accord leave the Nigerian price at \$30.

But the biggest debtor in Latin America, Brazil, is likely to enjoy a double bonus. Bankers say the country, which owes nearly \$90 billion, should save \$1.8 billion on its oil-import bill and \$640 million through lower interest rates.

Nigeria, like Venezuela, is trying to refinance overdue loans, and faces a \$1.62-billion loss of revenue and an interest saving of \$7 million. Indonesia stands to lose \$1.5 billion and gain \$190 million in interest savings.

Falling oil prices usually cause inflation to drop, causing banks and monetary authorities to relax the anti-inflationary discipline of high interest rates.

Venezuela stands to lose about \$2.5 billion in oil revenue and save only \$270 million dollars in interest, bankers said, at a time when it is trying to refinance overdue loans.

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Delors Blames EMS Tension on Bonn

By Caroline Atkinson
Washington Post Service

PARIS — France blamed West Germany Friday for the tensions that are pushing the European Monetary System toward its seventh realignment in four years, but Bonn continued to insist that no adjustment was needed.

The question of a realignment became more a political issue as funds continued to pour into the Deutsche mark, forcing four other currencies down to their EMS floors. In Frankfurt, the Bundesbank intervened to support the French and Belgian francs and the Danish krone; the Irish pound was also weak.

Speaking on French radio Friday morning, Finance Minister Jacques Delors said: "The parity of the franc is correct. There is a problem with the Deutsche mark. It must be dealt with."

Shortly thereafter, a West German Finance Ministry spokesman noted that Hans Eichelmeier, Finance Ministry state secretary, had said on Wednesday that there was no need to realign the EMS; nothing, the spokesman said, had changed since then.

Currency dealers said France was clearly hoping to avoid a politically embarrassing devaluation by persuading Bonn to upgrade the

mark within the EMS, which sets narrow fluctuation limits for its eight currencies.

West German government and the Bundesbank will resist a one-sided realignment of the mark for fear that this would harm exports just as the country's economy is showing signs of picking up from two years of recession.

A devaluation of the franc has been predicted since last year. Many dealers think an announcement could come shortly after final voting Sunday in France's municipal elections.

The French franc has been devalued twice in the EMS since the Socialists came to power in the summer of 1981. The government has said repeatedly that it will not devalue the currency again.

Since December the Bank of France has regularly intervened to keep the franc from dropping below 2.83 to the mark. But Monday, after Chancellor Helmut Kohl's election victory in West Germany pushed the mark higher, the Bank of France changed tactics and let the franc fall close to its EMS floor.

The franc began to come under pressure again Thursday and was set Friday in Paris at its lowest level ever — its EMS floor, 289.85 per 100 DM — prompting the Bundesbank to buy 29.1 million francs.

Also at Friday's currency fixing in Frankfurt:

• The Belgian franc was fixed at its floor of 5.074 DM per 100 for the fourth time this week, and the Bundesbank bought 144 million francs to support it.

• The Danish krone was at its floor of 27.715 DM per 100 for the second day running. The Bundesbank bought 7.6 million kroner.

• The Irish pound slumped to its floor of 7.876 DM per 100 for the second day running.

U.S. M-1 Up \$100 Million
NEW YORK — The narrowest measure of the U.S. money supply, M-1, rose \$100 million in the week ended March 2, the Federal Reserve Board announced Friday.

The previous week's rise in M-1, which covers money in circulation and in checking accounts, was revised to show a gain of \$3.7 billion instead of the \$3.6 billion increase originally reported.

Stock Prices in N.Y. Close Slightly Lower

Compiled by Our Staff From Dispatches

NEW YORK — Prices on the New York Stock Exchange closed lower Friday as uncertainty about oil and interest rates sent investors to the sidelines.

The Dow Jones industrial average, which fell 11.7 to 1,120.94 Thursday, closed at 1,117.74 after being down as much as 8 points earlier. Declines led advances by a 2-to-1 margin, while volume slumped to 67.2 million shares from the 95.4 million traded Thursday.

Worries about oil prices have helped depress the market this week. Investors fear that a complete free-fall for oil prices will hurt U.S. oil stocks and U.S. bank loans to exporting nations. OPEC ministers attempting to stabilize prices at a meeting in London failed again Friday to produce an agreement.

The Commerce Department had helped depress the market this week. Investors fear that a complete free-fall for oil prices will hurt U.S. oil stocks and U.S. bank loans to exporting nations. OPEC ministers attempting to stabilize prices at a meeting in London failed again Friday to produce an agreement.

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BUSINESS BRIEFS

Warner, Coleco Settle Dispute Over Video Game Components

NEW YORK (Reuters) — Warner Communications said Friday that it and Atari subsidiary Coleco Industries had settled all issues that were subject of litigation between Warner and Coleco.

Warner said the agreement calls for Coleco to become licensed on a royalty basis under Atari's patent to continue the manufacture and sale of its Expansion Module Number One for the ColecoVision video game system and the free-standing Gemini video game system.

The Coleco system plays cartridges compatible with the Atari 2600 video computer system, Warner noted. It said it and Coleco had agreed that all other terms of the settlement would remain confidential.

Wriston Bows Out of Fed Race

NEW YORK (NYT) — Walter R. Wriston has effectively taken himself out of the running for chairman of the Federal Reserve Board, telling a group of financial executives that he would be a "conflict" for any commercial banker to take the job now held by Paul A. Volcker.

Mr. Volcker's term expires in August, and Mr. Wriston's name has been suggested as a possible successor. Aside from running the nation's largest banking organization as chairman of Citicorp — a post he is scheduled to retire from in August 1984 — Mr. Wriston, 63, has been close to President Ronald Reagan and heads the President's Economic Advisory Board.

In a Wednesday dinner of the Money Market, a group affiliated with New York University's Graduate School of Business, Mr. Wriston said that since a large part of the Fed's responsibility is to regulate banks, it would be inappropriate for a commercial banker to become chairman.



Walter R. Wriston

Gulf & Western President Resigns

NEW YORK (Reuters) — Gulf & Western Industries said Friday that it had accepted the resignation of David N. Judelson, the company's president, as an officer and director. Mr. Judelson, 54, said he was resigning "for very deep personal reasons."

He joined Gulf & Western in 1958 and has been president, chief operating officer, a director and a member of the executive committee for 16 years. But after the death last month of G&W's founder, Charles G. Haddam, the board named executive vice president Martin S. Davis, 55, as president.

G&W's board was meeting Friday, and analysts expected the directors to decide to divest at least some of the estimated \$700-million stock portfolio that Mr. Haddam amassed.

U.S. Tool Builders Seek Quota

WASHINGTON (WP) — The National Machine Tool Builders' Association has invoked national security in asking the Commerce Department to put a quota on imports for five years to reduce foreign manufacturers' rapidly expanding share of the market from 27 percent in 1982 to 7.5 percent.

The association also asked the department to limit the share of imports in each segment of the machine tool market — now as high as 50 percent in some products — to 20 percent of value.

The petition was filed Thursday under a clause in U.S. trade law that allows the president to limit imports when they appear to threaten national security. Few petitions have been filed invoking the clause, and never still granted, a department spokeswoman said.

STC Is Buying Unit Of British Airways

By Merida Welles

LONDON — Standard Telephone and Cables, a leading British telecommunications and electronics manufacturer, announced Friday that it would pay about \$60 million (\$90 million) for a major subsidiary of state-owned British Airways. STC is 35-percent owned by International Telephone & Telegraph.

STC also said it was buying three of ITT's British-based subsidiaries for £21 million.

STC said it believed that International Aeradio, British Airways' consistently profitable high-technology subsidiary, will complement its own activities and help boost its profit, which last year was \$40.2 million on sales of \$628.5 million. STC is selling 15 million newly issued shares — 1.5 percent of its total stock — to raise \$35 million toward the purchase. It had a cash balance of about \$30 million at the end of last year.

The company, which recently has been seeking further expansion, is also buying ITT's semiconductor and consumer electronics units as well as IDIC, a software house.

British Airways' shedding of International Aeradio — in the largest asset sale in its history — continues the streamlining strategy in preparation for returning British Airways to the private sector, a plan of the British government, which helped engineer the deal.

British Airways turned a record \$544-million loss in the fiscal year ending March 1982 into an \$80-million net profit in the six months that followed. It estimates a further profit for the full fiscal 1983.

International Aeradio specializes in aviation, medical and computer services. It has technical personnel and equipment at airports in numerous developing countries and it is one of the few nongovernment bodies allowed to train and license air-traffic controllers in Britain.

Last year it had pretax profit of \$10.1 million on revenue of £133 million. It employs more than 5,000 people in more than 20 countries, primarily in the Middle East and the United States.

On Thursday, STC disclosed that it was looking closely at opportunities to expand its business in the United States, where it expects to appoint a representative. It is increasing its overall marketing expenditure by 4 percent to 6 percent of sales.

The company exchanges technical developments with ITT, which last October cut its stake in the British telecommunications company to 35 percent from 85 percent.

Kuwaitis Criticize U.S. Lease Ban

Compiled by Our Staff From Dispatches

WASHINGTON — Kuwaitis expressed anger at a U.S. decision to bar Kuwaitis from leasing federal land for oil and other mineral development.

The decision mostly affects Santa Fe International, an Alhambra, California-based oil company that was purchased by the government-owned Kuwait Petroleum Corp. for \$2.5 billion in 1981.

James G. Watt, the U.S. interior secretary, in making the announcement Thursday, surprised many because he had made a tentative decision in January to grant the leasing privilege to the Gulf nation. The secretary said he had reversed himself because the Interior Department had determined that Kuwait had a history of discrimination against U.S. companies.

Talal Razooqi, first secretary of the Kuwaiti Embassy here, said the decision to stop Kuwait's expansion in the United States was based on "wrong information."

"We are very astonished and dismayed and disappointed," he said.

He said that embassy officials did not know the exact reasons why Mr. Watt had imposed the sanctions, but he said that there appeared to be political pressure from citizens who were upset about Arab investments in the United States.

E.L. Shannon Jr., chairman and chief executive of Santa Fe, said the ruling was based on "inaccurate information." He said the decision apparently was based solely on the ground that Kuwait had discriminated against the United States because it had nationalized U.S. companies before ending other foreign ownership in the oil industry.

"This is simply wrong," Mr. Shannon said. "Kuwait moved in an orderly and fair manner to end all foreign ownership in the 1970s. Today there are no foreign companies holding Kuwaiti offshore concessions."

He said on Friday that Santa Fe would drop plans for investing \$50 million in development of leases it holds on federal land.

Mr. Watt said that although Kuwait technically allows foreign investment from the United States, the customs and regulations in Kuwait have effectively barred any U.S. corporations or citizens from taking part in the Kuwaiti oil business.

Mr. Watt added that petroleum concessions are still held in Kuwait by the Japanese.

But Mr. Razooqi said that the Japanese concession was an offshore investment, not a lease on Kuwaiti land. U.S. law permits sanctions against such nations as Kuwait only for onshore oil and gas leases, not for offshore explorations.

Paley Named To IHT Board

International Herald Tribune

NEW YORK — William S. Paley, who will retire soon as chairman of CBS, and Frank Stanton, president emeritus of CBS, have been elected to the board of the International Herald Tribune as representatives of Whitney Communications, one of the three owners of the Paris-based newspaper. The other owners are The New York Times and the Washington Post.

David L. Gorman, senior vice president and chief financial officer of the New York Times Co., also was appointed a director of the International Herald Tribune on Thursday.

Mr. Paley also was elected a co-chairman of the Herald Tribune board. Katharine Graham, chairman of the Washington Post Co., and Arthur O. Sulzberger, chairman of The New York Times Co. and publisher of The New York Times, are also co-chairmen of the newspaper.

Sotheby Board Girds For Takeover Battle

By R.W. Apple Jr.

NEW YORK (NYT) — Sotheby's directors were told that the world's largest auction house, which lost money last year for the first time in decades, is girding for a takeover battle that its officials expect to begin later this month.

At an unannounced special meeting here Friday morning, Sotheby's directors were told that Marshall Cogan and Stephen Swid, co-chairmen of General Felt Industries, a New Jersey-based conglomerate, were about to make a bid for the company. Sources at Sotheby's said that the board voted to fight any takeover attempt. One director commented, "If we have to play a tough American game with these guys, we will."

There has been speculation for months that battle was likely to be joined between Sotheby's and the two Americans, both still in their early 40s, whose companies include carpet manufacturers and Knoll International, makers of contemporary furniture.

Lord Hareich, who as David Ormsby-Croft was the British ambassador in Washington during the Kennedy administration, said in an interview that he had agreed during talks with Mr. Cogan and Mr. Swid to serve on the board if they gained control of Sotheby's. He added that he did not know the details of their plans for the company, in which they already hold 14.2 percent of the shares, the largest single bloc.

Reached by telephone in Manhattan, Mr. Cogan confirmed that he and Mr. Swid had "a relationship" with Lord Hareich, but said that they had not made a decision yet on whether to make an offer for the firm.

Later, a spokesman for GFI said of the Sotheby board's action, "We are truly disappointed because we had hoped that this board would have been a bit more open-minded and that together we could have proceeded in a professional and constructive manner so that the best interests of everyone concerned could be well served."

"We must evaluate what our most responsible and appropriate response should be," the spokesman continued. "So for the next few days we have a lot of questions to ask of ourselves before we make any decision about whether or not to proceed."

The spokesman said that a decision would be reached in a matter of days, rather than weeks. He also confirmed that Mr. Cogan and Mr. Swid had arranged the necessary financing for a takeover bid, which sources in the City of London said could cost up to \$100 million. The sources said three U.S. banks — Citibank, Philadelphia National Bank and Crocker National Bank — had agreed to put up part of the money, along with private investors.

In addition, Mr. Swid and Mr. Cogan are known to have retained both lawyers and public-relations men who specialize in takeovers.

Sotheby's has 11 million shares outstanding, and Mr. Cogan and Mr. Swid are believed to be ready to pay about \$9 to \$10 a share for those they do not already hold. At the moment, the shares are trading on the London Stock Exchange at about 435 pence (about \$6.50). According to Sotheby's officials, about 17 percent of the stock is held by employees and directors of the company and about 25 percent is held by British institutions; a successful takeover would be difficult without that 42 percent.

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Some of the Ultimate Trip Highlights:

- Visitation of the White House and the CIA headquarters.
- Lunch with the U.S. Department of Commerce and the U.S. Trade Representative.
- Meeting with the U.S. Secretary of State and the U.S. Ambassador to France.
- Meeting with the U.S. Secretary of Defense and the U.S. Secretary of the Navy.
- Meeting with the U.S. Secretary of the Interior and the U.S. Secretary of the Agriculture.
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